Office of Management & Finance Current 5-Year Financial Forecast City Of Portland-General Fund

As Of 16-Apr-2001		Previous	17-Jan-2001			
Financial Forecast Resources Still Fall Short						
Of Current	Of Current Service Level Requirements					
Dec. Fore- Current Difference						
<i>Item</i>	cast, FY01-02	FY01-02	vs. Dec.			
Council Discretionary						
Available FY2001-02	\$283,885,254	\$282,607,355	(\$1,277,899)			
Requirements:						
Capital Set-Aside	\$5,062,950	\$5,062,950	\$0			
Council Set-Asides	\$35,906,228	\$35,469,649	(\$436,579)			
One-Time Bureaus	\$1,751,395	\$2,743,007	\$991,612			
Bureaus & Programs	\$244,255,227	\$239,331,755	(\$4,923,472)			
CSL Requirements	\$286,975,800	\$282,607,361	(\$4,368,439)			
Resources Less CSL	(\$3,090,546)	(\$6)	\$3,090,540			
Programs FY01-02	(\$4,063,741)	\$0	\$4,063,741			
ASR Reductions	\$1,000,000	\$0	(\$1,000,000)			
Net Programs FY01-02	(\$3,063,741)	\$0	\$3,063,741			
Available One-Time	\$973,195	(\$6)	(\$973,201)			
Programs FY02-03	\$0	\$0	\$0			
Available One-Time	\$336,238	\$748,427	\$412,189			

CSL Costs Reduced By \$4.9 Million To Achieve Balanced Budget

- ◆ Forecast resources are down \$1.28 million compared to last December's FY2001-02 forecast. This results from a \$1.1 million drop in the ending balance estimate and a \$200,000 drop in estimated revenues.
- The principal reason for the decline in forecast revenues, is reduced Qwest franchise fees which are lower due to the unanticipated effect on taxable revenues of wholesaling local phone service. In addition, both BES and Water utility license fees are lower.
- CSL costs reflect Proposed Budget decisions and are reduced by \$4.9 million (compared to the published December CSL estimate) with an an estimated \$2.2 million coming from Administrative Service Review Review (ASR) related reductions. All other reductions total about \$2.7 million net of about \$1 million in on-going program additions.

Resource Outlook Resource Outlook Continues To Deteriorate

The resource outlook continues to worsen. Forecast FY2001-02 resources are \$1.28 million below last December's forecast. Qwest Franchise fees average about \$500,00 lower in this forecast due to reductions in taxable base that result from wholesaling local phone service. Business licenses and transient lodging taxes remain question marks given continuing uncertainty about the direction of the local and national economies.

Proposed Budget Reduces CSL To Achieve Balance

The Mayor's Proposed Budget balances the General Fund by reducing CSL by \$4.9 million. In excess of \$2 million of CSL reductions are a result of Administrative Service Review (ASR) related on-going budget The remaining reductions. ductions (net) came out of other bureau operating budgets and programs. The General Fund is balanced at lower CSL levels for for the five-year forecast period.

	M50 Assess. Value \$1000	\$33,251,466	State Cigarette & Liquor		
	FY2001-02 M50 Tax Base	\$152,191,959	-	\$7,993,053	
	M50 Compression Loss	(\$2,750,186)	CPI-W Increase (December '99		
Some	Est. Tax Base Imposed	\$149,441,773	To December '00)	2.9%	
Key	Delinquency/Discount(%)	-5.6000%	Measure 50 FPD&R Levy	\$62,969,651	
Forecast	Delinquency/Discount (\$)	(\$8,368,739)	Beginning General Fund		
Assump-	FY02 Tax Base Revenues	\$141,073,034	FY2001-02 Balance	\$7,036,115	
tions	County M50 Levy	\$173,557,824	Estimated Urban Renewal		
	Library-Local Option	\$23,763,604	Divide-The-Taxes (8 Districts)	\$35,718,289	
	Total-County Levies	\$197,321,428	8 Current Forecast: FY2001-02 to FY2005-06		

Forecast FY2001-02 resources are down \$1.277 million (0.45%) compared to the previous December forecast. Forecast revenues are down about \$211,790 (-0.08%) net compared to the Fall revenue forecast. Property taxes, transient lodging taxes, and business license revenues are unchanged from the previous revenue forecast. Utility license, franchise fees, are down net about \$114,165. Higher cable and telecom revenues were offset by lower Qwest, BES, and Water franchise and utility license fee revenues. Interest income, transfers into the General Fund, and miscellaneous revenues are down

slightly compared to	Revenue Forecast RECAP-First Year Budget, FY2001-02					
the previous revenue	General Fund	FY2001-02				
forecast.	Revenue Category	December	Proposed	Difference		
	Property Taxes	\$145,517,734	\$145,489,587	(\$28,147)		
Energy utility license	Transient Lodgings	\$11,518,217	\$11,518,217	\$0		
fees continue to assume	Business Licenses	\$52,937,681	\$52,937,681	\$0		
implementation of a fix-	Utility License/Franchise	\$50,117,041	\$50,002,876	(\$114,165)		
ed charge per kilowatt	State Revenues	\$7,993,053	\$7,993,053	\$0		
hour (kWh) franchise	Interest Income	\$2,615,266	\$2,588,117	(\$27,149)		
as allowed under Senate	Transfers (*) IN	\$796,131	\$770,694	(\$25,437)		
Bill 1149. This protects	Miscellaneous	\$4,287,908	\$4,271,016	(\$16,892)		
the revenue base but	Revenue Forecast	\$275,783,031	\$275,571,241	(\$211,790)		
the trade-off is much	Beginning FUND Balance	\$8,102,224	\$7,036,115	(\$1,066,109)		
slower revenue growth.	Forecast Resources	\$283,885,254	\$282,607,355	(\$1,277,899)		
	% Change In Revenues		-0.08%			
Overall, revenue growth	% Change In Resources		-0.45%			

is expected to average (*) Includes \$625,000 of excess reserves from the General Reserve Fund, FY2001-02.

about 3.8% over the life of the forecast. Current levy property taxes are forecast to grow at 4.3%. Electric

energy franchise fees are forecast to grow 1.6% per year. Transient lodging taxes grow slowly for the next two years with growth increasing in the out-years.

Revenue Forecast ASSUMPTIONS

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of \$152.2 million. The levy estimate results from application of the fixed permanent \$4.5770 per \$1,000 tax rate to about \$33.3 billion of Measure 50 assessed values. This levy is assumed compressed by about 1.81% reflecting actual experience with Measure 50 property-byproperty compression. The property tax revenue forecast also incorporates Council's creation of five new urban renewal districts (River District, Lents, Macadam, Interstate, and Gateway), but the frozen base values for the last two are not known. Next Fall's forecast will include a better estimate of new district revenue impacts. This may result in a lower property revenue forecast line. The combined delinquency and discount rate is up slightly but forecast to remain at

Revenue Forecast ASSUMPTIONS				
Revenue Category	FY2001-02			
CITY Property Tax Levies				
Measure 50 Taxbase Levy	\$152,191,959			
Local Option Levy	\$0			
Measure 50 F&PD&R Levy(*)	\$62,969,651			
FPD&R, General Fund Total.	\$215,161,610			
MULTNOMAH County Levies				
Measure 50 Levy Authority	\$173,557,824			
Local Option Levy (Library)	\$23,763,604			
Mult. County Levy Total	\$197,321,428			
M50 Assessed Value Growth	4.1%			
Percent of FY2001-02 Levies				
Not Received First Year	-5.600%			
Measure 50 Compression	-1.807%			
Est. Portland Population	523,579			
GDP Growth (Economy.Com)	3.7%			
Revenue Sharing (State)	\$7,993,053			

about 5.6%. Measure 50 "special" property-by-property (*) *Preliminary* compression is assumed stable at 1.81% of the General Fund's tax base levy.

THE BOTTOM LINE:The current forecast shows some continued deterioration in the General Fund's financial outlook. Utility license, franchise fee and transient lodging revenues continue to grow more slowly than in the recent past reflecting a slower economy and in the case of electric energy franchise fees the expected effects of energy deregulation. The bottom line is that on-going CSL costs have been reduced net by \$4.9 million in order to balance the General Fund over the life of the forecast.

Current (Spring) 5-Year REVENUE Forecast General Fund Financial Model

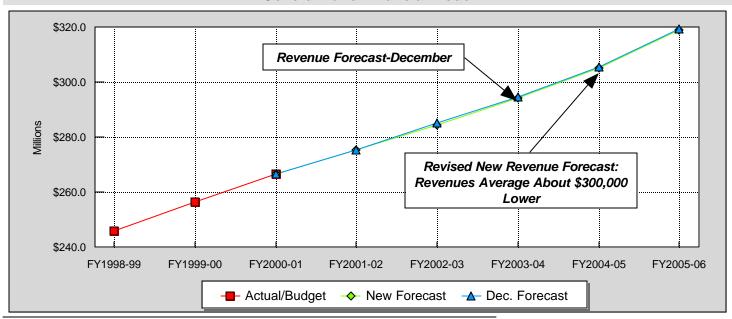


Figure 1-Current General Fund 5-Year Revenue Forecast

The key environmental assumption remains national and regional economic growth. The City's national economic advisor, Economy.Com (formerly RFA), as well as the State Economist, continue to forecast slower national and regional economic growth over the next 12 to 24 months without recession.

Figure 1 summarizes the 5 year revenue forecast off of the FY2000-01 base. Revenue growth remains critically dependent on assessed value growth. Revenue growth is forecast to average 3.8 percent over the next five years. Slower regional growth or a recession will quickly translate into lower revenue growth because of the increased importance of business license revenues and the sensitivity of property tax revenues to real estate market cycles and higher interest rates.

Estimated FY2001-02 General Fund current service level (CSL) costs are \$239.33 million, down \$4.9 million compared to the December estimate for FY2000-01 bureau CSL costs. About \$2.2 million of this decrease reflects Administrative Service Review (ASR) related on-going CSL reductions. Another \$2.7 million of on-going CSL reductions occurred in other programs located mainly in Police, Fire, and Parks.

Estimated Current Service Level Forecast					
Assumptions	FY2001-02				
FY2001-02 CSL Cost					
Estimated-Previous Forecast	\$244,255,227				
CSL Adopted Budget	\$239,331,755				
Difference In CSL Estimates	(\$4,923,472)				
General Inflation Rates					
GDP Price Deflator(RFA)	2.0%				
CPI-% (Dec.'99-Dec.'00)Actual.	2.9%				
Benefits CAP Escalation	2.9%				
Producer Price Index	3.0%				
CPI-Energy	2.3%				
External M&S					
General-Overall	3.2%				
Energy-Electricity	13.0%				
Energy-Gas	22.1%				
Sewer	8.9%				
Water	4.0%				
Utilities-Overall	11.6%				
Internal M&S					
General-Overall	4.0%				
Risk/Workers' Comp	4.0%				
Wage & Salary % Increase					
Public Safety (*)	2.9%				
All Other	2.9%				
(*) Net of increased longevity have and mid-year.	001.4				

(*) Net of increased longevity pay and mid-year COLAs.

A looming energy shortage in the Pacific Northwest combined with Oregon's energy deregulation process may result in much higher energy costs than currently anticipated in this forecast. This may result in significantly higher expense forecasts making it difficult for the General Fund to defend even the reduced CSL levels initiated in the Mayor's Proposed Budget. In addition, a sharp rise in energy costs may push the regional economy into recession causing futher deterioration the revenue out.

COUNCIL set-asides, FY2001-02, are shown in the table to the right in line item detail as follows:

- The business license refunds set-aside remains at \$5.3 million. This forecast assumes that refunds have stabilized at about \$5 million per year.
- Preliminary cashflow analysis shows that the General Fund may have to resume issuing Tax Anticipation Notes (TANS) next year. Interest costs are currently estimated at \$349,589.
- The capital set-aside continues on a schedule that increases the set-aside by \$1 million per year net of annual school debt service costs. In the last year of the forecast, FY2005-06, the capital set-aside is projected to total \$10 million.
- The compensation set-aside remains at about \$6.8 million and now reflects the actual published December to December CPI-W (Portland-Salem) increase of 2.9%. The compensation set- Difference versus Previous Forecast..... aside also includes a modest amount (*) Endangered Species Act (ESA)

Adopted Budget Council Set-Asides					
	Forecast FY2001-02				
Set-Aside Item	December	Current			
Compensation Set-Aside	\$6,871,637	\$6,798,694			
ESA(*) Set-Aside	\$987,576	\$987,576			
Street Light O&M	\$5,342,904	\$5,149,791			
General Fund Contingency	\$1,000,000	\$1,400,000			
Unforeseen & Inventory	\$2,000,000	\$2,000,000			
Subtotal-Contingency	\$3,000,000	\$3,400,000			
Capital Set-Aside	\$5,062,950	\$5,062,950			
PDOT CSL Support	\$728,037	\$82,285			
2040/Town Centers	\$266,753	\$397,244			
Unemployment Insurance	\$200,000	\$200,000			
City Hall Debt Service	\$2,479,350	\$2,479,350			
POBS Debt Service	\$3,904,191	\$3,952,517			
Other Debt Service	\$3,809,718	\$3,809,720			
Business License Refunds	\$5,308,768	\$5,308,768			
City Hall Maintenance Reserve	\$400,000	\$400,000			
Housing Trust Fund	\$500,000	\$493,000			
TANS Borrowing-Interest	\$349,589	\$349,589			
QWEST Refund	\$0	\$0			
CIPs O&M Set-Aside	\$355,980	\$259,580			
Early Childhood Development	\$1,000,000	\$1,000,000			
BIT Transfers	\$388,252	\$388,252			
Transfer to BGS	\$13,472	\$13,283			
Total Budgeted/Council					
Estimated Council Set-Asides	\$40,969,178	\$40,532,599			
Difference versus Previous Fore	(\$436,579)				

Adopted Budget Council Set-Asides

for on-going for non-represented and COPPEA class/compensation costs pending results of on-going studies that are expected to be completed late in FY2000-01.

Adopted Budget Current Service Level (CSL) Requirements **General Fund Financial Model**

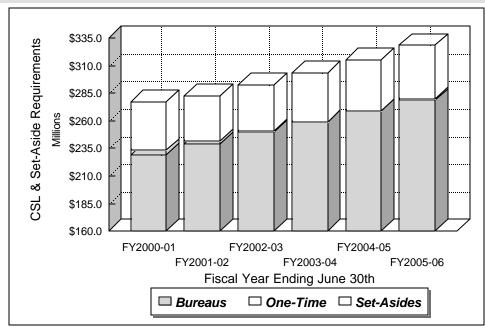


Figure 2-Current Service Level (CSL) Requirements

Set-asides are down net about \$436,579 due to a \$250,000 reduction in the Street Light target and lower PDOT CSL transfer.

Other set-asides in Council's second year budget inlcude Pension Obligation Bond debt service that is slightly higher reflecting administrative reorganization.

A new \$1 million set-aside for Early Childhood Development remains in this forecast as directed by Council Resolution #35914. This allocation is an offset to expected County property tax revenue losses from the City's formation of a North Interstate Urban Renewal District.

The table to right combines the FY2001-02 resource forecast with bureau CSL targets as included

the Mayor's Proposed Budget. Resources total \$283.607 million. Deducting setasides of \$40.533 million leaves \$242.074 million for on-going CSL program and one-time budgets.

Council's indicated second year budget is now balanced. A \$4.7 million CSL gap is eliminated and the financial forecast indicates that the General Fund is balanced over the life of the fiveyear forecast. The forecast also indicates about \$750,000 of one-time available for FY2002-03.

Sources & Uses of Funds: Financial Forecast FY2001-02				
	Budget	FY2001-02		
Item	FY2000-01	Forecast		
Forecast FUND Revenues	\$268,316,937	\$275,571,241		
Beginning FUND Balance	\$9,329,455	\$7,036,115		
Total FUND RESOURCES	\$277,646,392	\$282,607,355		
Less: Council Set-Asides	(\$40,500,309)	(\$35,469,649)		
Less: Capital Set-Aside	(\$3,720,000)	(\$5,062,950)		
EQUALS: AVAILABLE				
TO BUREAUS-PROGRAMS	\$233,426,083	\$242,074,762		
Bureaus CSL Requirement	\$233,426,083	\$242,074,762		
EST. GAP, DIFFERENCE	\$0			
AVAILABLE For ON-GOING PROC	\$0			
New One-TimeFY2002-03Sec	ond Year	\$748,427		

The "Forecast" column, shows that second year budget, FY2001-02 resources, and more importantly out-year resources are now sufficient to permit funding budgeted but reduced CSL costs. Revenue however, continues to slow. Transient lodging tax revenues continue to grow more slowly due to an over supply of rooms and delay of convention center expansion. Business license revenues remain flat to to declining. The national and regional economies are clearly growing slowly. Franchise fees, were it not for deregulation, would be growing more robustly. Although the exact timing of energy deregulation is now in some doubt, the expected impact is still the loss of several million dollars of on-going revenues. Use of a SB1149 fixed charge per kilowatt hour of energy distributed within City boundaries protects the revenue base but at the expense of revenue growth which will follow actual energy usage which tends to grow about 1% per year. A looming energy shortage may depress revenues further. The upshot is that energy franchise fees in this forecast average about \$3.4 million less per year than in last June's resource forecast. This change further slows revenue growth making it more difficult to fund current service levels.

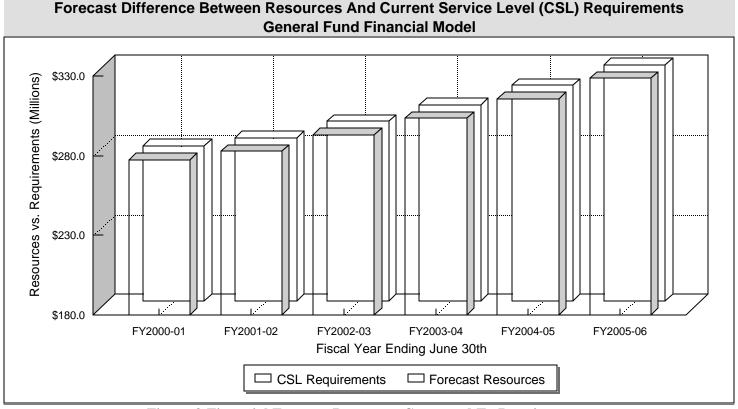


Figure 3-Financial Forecast Resources Compared To Requirements
Financial Forecast (FORC02MP) 16-Apr-2001

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

The table below summarizes the full two-year financial forecast General Fund resources and requirements:

- Resources total \$575.42 million for two years ending FY2002-03.
- Estimated requirements total \$574.667 million over two years.
- The General Fund is balanced due to CSL reductions over the five-year life of the financial forecast with about \$750,000 of one-time available for FY2002-03.

	Resources & Requirements Summary Next Two Years				
	Budget	· ·			
	FY1999-00	FY2001-02	FY2002-03	Total	
Item-Category RESOURCES>	\$277,646,392	\$282,607,355	\$292,808,436	\$575,415,792	
Less: Assumed Set-Asides					
TANS Interest Expense	\$349,589	\$349,589	\$349,589	\$699,178	
Compensation Set-Aside	\$8,386,740	\$6,798,694	\$6,683,353	\$13,482,047	
Other Set-Asides					
Contingency	\$1,542,555	\$1,400,000	\$1,400,000	\$2,800,000	
Unforeseen Reimbursable	\$2,000,000	\$2,000,000	\$2,000,000	\$4,000,000	
Subtotal-Contingency	\$3,542,555	\$3,400,000	\$3,400,000	\$6,800,000	
Capital Set-Aside	\$3,720,000	\$5,062,950	\$6,064,850	\$11,127,800	
PERS Debt Service	\$2,988,166	\$3,952,517	\$5,068,041	\$9,020,558	
Other General Fund Debt Service	\$3,805,858	\$3,809,720	\$2,460,423	\$6,270,143	
City Hall/Precincts-Debt Service	\$2,424,890	\$2,479,350	\$2,479,350	\$4,958,700	
Street Light O&M Transfer	\$4,832,968	\$5,149,791	\$5,597,491	\$10,747,283	
2040 Planning	\$736,550	\$397,244	\$133,377	\$530,621	
PDOT CSL Support	\$707,885	\$82,285	\$84,693	\$166,977	
Unemployment Insurance	\$200,000	\$200,000	\$200,000	\$400,000	
Business License Refunds	\$5,057,122	\$5,308,768	\$5,296,466	\$10,605,234	
City Hall Maintenance Reserve	\$350,000	\$400,000	\$400,000	\$800,000	
ESA Set-Aside	. \$959,298	\$987,576	\$1,016,030	\$2,003,606	
PPDS Transfer/County ECD	. \$88,620	\$1,000,000	\$1,028,811	\$2,028,811	
CIPs Related O&M Costs	\$0	\$259,580	\$584,580	\$844,160	
Housing Trust Fund	\$5,680,000	\$493,000	\$493,000	\$986,000	
Miscellaneous Transfers	\$13,124	\$13,283	\$13,681	\$26,964	
BIT Transfer	\$376,944	\$388,252	\$399,900	\$788,152	
Subtotal, Assumed Set-Asides	\$44,220,309	\$40,532,599	\$41,753,636	\$82,286,235	
Bureau Requirements + One-Time	\$233,426,083	\$242,074,756	\$250,306,373	\$492,381,129	
Total Requirements	\$277,646,392	\$282,607,355	\$292,060,009	\$574,667,364	
Resources less Requirements					
Equals Excess(+)/CSL Gap(-)	\$0	\$0	\$748,427		
On-Going Program Reductions	\$0	\$0	\$0	\$0	
Available One-Time	\$0	\$0	\$748,427	\$748,427	

FY2001-02 Through FY2005-06 Financial Forecast Summary

- This financial forecast shows that the General Fund's financial outlook continues to deteriorate although property tax revenue growth has held up well under a Measure 50 structure. Problems on the revenue side with transient lodging taxes, electric energy franchise fees, and business license revenues have produced slower revenue growth. On the cost side energy cost increases, labor contract increases, and higher pension debt service costs continue to push costs up faster than revenue growth allows. The Mayor's Proposed Budget rebalances the General Fund at lower current service levels in order to produce a balanced financial plan.
- The financial forecast assumes the use of about \$1.573 million of excess reserves over the five-year forecast horizon. This continues Council's planned use of excess reserves. Reserve levels are at or slightly above the 10% level for the life of the financial forecast.
- The scenario used for the 5-year forecast is realistic. Legislative or voter action that reduce property tax revenues, state shared cigarette and liquor revenues, or franchise fees upsets the forecast. The possibility of a recession or slower economic growth continue to represent more of a risk to the five-year forecast than at any time during the recent past.

Out-Year Detail Of 5-Year Financial Forecast

The financial forecast shows a five-year forecast that is balanced with the General Reserve Fund at or above the required 10% level throughout the forecast period. This General Fund is balanced at lower ongoing CSL costs which are reduced \$4.9 million in the Mayor's Proposed Budget. The table (below) summarizes the five year financial forecast as it currently stands given Council's previous five-year financial plan. The current CSL cost forecast continues to assume higher capital set-asides in Council's five-year financial plan. In addition, the five-year plan continues to incorporate increased operations and maintenance costs for new Fire Bureau GO Bond related facilities.

	2nd Year	Next Two Year Budget		Out-Y	'ears
Item	2002	2003	2004	2005	2006
Total Resources	\$282,359,306	\$292,808,436	\$303,035,058	\$314,296,981	\$328,430,965
Transfer In From					
General Reserve	\$248,049	\$0	\$238,726	\$1,086,286	\$0
Bureaus & Programs	\$239,331,755	\$249,755,073	\$258,783,531	\$268,752,941	\$278,502,502
Capital Set-Aside(*)	\$5,062,950	\$6,064,850	\$7,061,050	\$8,000,000	\$10,000,000
Est. New On-Going	\$0				
Scheduled One-Time	\$2,743,007	\$551,300			
New One-Time	\$0	\$748,427	\$62,634	\$50,105	\$1,430,812
Pension Bonds P&I	\$3,952,517	\$5,068,041	\$5,826,957	\$6,551,265	\$7,263,605
Council Set-Asides	\$31,517,133	\$30,620,745	\$31,539,611	\$32,028,957	\$31,234,047
Total Requirements	\$282,607,361	\$292,808,436	\$303,273,783	\$315,383,267	\$328,430,965
Difference	(\$6)	\$0	\$0	(\$0)	(\$0)
Reserve Fund As A					
Percent Net Revenues	10.3%	10.3%	10.4%	10.3%	10.4%

(*) Per Council Adopted Resolution #35526, June 12, 1996.

Risks To The Financial Forecast

This forecast continues to assume moderate State and regional economic growth. All indications, both from the State and Economy. Com suggest that the national economy will continue grow moderately although slower than in past years. As was the case in past years, uncertainties continue to plaque the the forecast. Some crucial uncertainties are:

- The Federal Reserve has reversed course and is lowering interest rates to combat recession, but previous "over-tightening" may result in a recession sometime in the next 12 to 24 months.
- The Oregon Legislature is considering several measures that could negatively impact General Fund revenue either directly or indirectly.

Two-Year Forecast Resources-By Budget Category Detail					
Category	FY2001-02 FY2002-0				
RESOURCES	December	New Forecast	2nd Year		
Property Taxes					
Current Year Taxes	\$141,101,181	\$141,073,034	\$147,100,549		
Prior Year Taxes	\$3,922,235	\$3,922,235	\$3,984,396		
Payment in Lieu of Taxes	\$494,318	\$494,318	\$494,318		
Total Property Taxes	\$145,517,734	\$145,489,587	\$151,579,262		
Other Taxes					
Lodging Tax	\$11,518,217	\$11,518,217	\$11,701,420		
Licenses & Permits					
Business Licenses	\$52,937,681	\$52,937,681	\$54,220,167		
Utility License-External	\$36,089,497	\$36,543,129	\$36,401,045		
State Sources(*)					
State Shared Revenue	\$7,993,053	\$7,993,053	\$8,027,983		
Local Government					
Local Shared Revenue	\$2,237,908	\$2,221,016	\$2,232,705		
Miscellaneous Revenues					
Refunds	\$30,000	\$30,000	\$30,000		
Interest on Investments	\$2,615,266	\$2,588,117	\$2,574,546		
Other Misc. Revenues					
Other Misc. Revenues	\$20,000	\$20,000	\$20,000		
Unforeseen Reimbursable	\$2,000,000	\$2,000,000	\$2,000,000		
Transfers, Other Funds					
Utility License-Internal					
Water Operating	\$3,858,000	\$3,709,747	\$4,088,000		
Sewer Operating	\$10,169,544	\$9,750,000	\$11,153,205		
Miscellaneous					
Parking Facility-Tax Offset	\$196,131	\$196,130	\$202,014		
Hyro-Fund Transfer	\$200,000	\$150,000	\$150,000		
Auto Port-Tax Offset	\$0	\$0	\$0		
Refuse Disposal	\$35,000	\$40,000	\$40,000		
HCD-Indirect	\$130,000	\$96,515	\$96,515		
Federal Grants-Indirect	\$10,000	\$0	\$0		
Transfer-General Reserve	\$225,000	\$248,049	\$0		
From Parks Trust	\$0	\$40,000	\$0		
Subtotal-Transfers, Misc.	\$796,131	\$770,694	\$488,529		
Beginning Fund Balance					
Unencumbered	\$8,102,224	\$7,036,115	\$8,291,574		
TOTAL DISCRETIONARY	\$283,885,254	\$282,607,355	\$292,808,436		
Checksum Total-Page 2	\$283,885,254	\$282,607,355	\$292,808,436		
Checksum Difference	\$0	\$0	\$0		

^(*) Cigarette & liquor tax distributions to General Fund from State of Oregon

This table shows the resource forecast by budget categories as they appear in City's budget document. The italicized categories are identical to line items on the summary on page 2. Local Shared Revenues and Miscellaneous Revenues are collapsed into one simplified category on page 2 (Misc. & Local Shared) but are shown here in budget detail.

The Financial Forecast is written and produced by D.S. Barden, City Economist, Kourosh Ghaemmaghami, Economist, Bureau of Financial Planning dbarden@ci.portland.or.us (503-823-6954) and kmaghami@ci.portland.or.us (503-823-6957)

<u>Discussion of PERS Pension Obligation Bonds (POBS) Debt Service Schedule</u>

In November of 1999, the City sold \$267 million of Pension Obligation Bonds (POBS). The bond proceeds were used to eliminate the City's unfunded PERS pension liability. This reduced the City's employer's PERS contribution rate from 10.48% to 8.56% during FY2000-01. In selling the POBS, the City avoids an immediate PERS employer contribution rate increase to 17.4%. In addition, the debt service costs were structured so as to phase in the higher pension costs over a ten year period allowing revenue growth to help absorb the impact of higher employer PERS costs.

Annual pension bond debt service will be allocated to bureaus using the most recent year's actual PERS contributions. For FY2001-02, actual FY1999-00 PERS contributions are used to allocate annual FY2001-02 debt service costs of \$10,544,762. The table below details this allocation.

		Annual POB [Debt Service	
	Bureau	Percentage	FY2001-02	FY2002-03
FUND	Total PERS	Allocation	\$10,544,762	\$13,520,826
General Fund Bureaus	\$9,092,557	31.27144%	\$3,297,499	\$4,228,157
Street Light (PDOT)	\$62,677	0.21556%	\$22,730	\$29,146
BOEC @ 77%	\$915,653	3.14915%	\$332,070	\$425,791
OPDR	\$694,568	2.38878%	\$251,891	\$322,983
Subtotal	\$10,765,455	37.02493%	\$3,904,191	\$5,006,076
PDOT (net)	\$5,179,589	17.81382%	\$1,878,425	\$2,408,576
BOEC (net)	\$300,986	1.03516%	\$109,155	\$139,962
Buildings (OPDR)	\$1,498,805	5.15474%	\$543,555	\$696,964
BES	\$3,789,849	13.03418%	\$1,374,423	\$1,762,329
Hydroelectric	\$28,239	0.09712%	\$10,241	\$13,132
WATER	\$3,983,813	13.70127%	\$1,444,766	\$1,852,525
Golf Operating	\$257,130	0.88433%	\$93,251	\$119,569
PIR	\$46,450	0.15975%	\$16,846	\$21,600
Refuse Disposal	\$77,414	0.26624%	\$28,075	\$35,999
Environ. Remediation	\$1,622	0.00558%	\$588	\$754
Parks Bond Const.	\$83,295	0.28647%	\$30,208	\$38,733
Parks Construction	\$19,856	0.06829%	\$7,201	\$9,233
Facilities Services	\$273,476	0.94055%	\$99,179	\$127,170
Fleet Operating	\$531,699	1.82864%	\$192,826	\$247,247
Print & Distribution	\$202,641	0.69693%	\$73,490	\$94,231
BIT	\$427,775	1.47122%	\$155,137	\$198,921
RISK	\$241,360	0.83009%	\$87,531	\$112,236
LID	\$89,366	0.30735%	\$32,409	\$41,556
FPD&R	\$71,152	0.24471%	\$25,804	\$33,087
Arena-Spectator	\$36,141	0.12430%	\$13,107	\$16,806
Comm. Services	\$247,466	0.85109%	\$89,746	\$115,075
GIS (Fund 711)	\$11,946	0.04109%	\$4,332	\$5,555
BGS Non Gen. Fund	\$133,254	0.45829%	\$48,326	\$61,965
PDC	\$777,454	2.67385%	\$281,951	\$361,526
TOTAL All Funds	\$29,076,233	100.00000%	\$10,544,762	\$13,520,826

The table below details POB debt service for the three out-years of the financial forecast. About half of

	2004	2005	2006
Out-Year Debt Service	\$15,545,507	\$17,477,859	\$19,378,282

the debt issued is variable interest rate debt. Actual annual debt service numbers will flucuate year-to-year in response to short term interest rates. The out-year numbers must be viewed as approximate. Higher interest rates clearly represent a risk to this and subequent forecasts.