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

As Of 20-Jun-2002		Previous	12-Mar-2002			
Council's Adopted Budget Brings CSL Costs						
	Into Balance With Available Resources					
me Zalan	Mayor's	Adopted	Difference			
<i>Item</i>	Proposed	Budget	vs. Previous			
Council Discretionary	-					
Available FY2002-03	\$275,913,693	\$281,566,654	\$5,652,961			
Requirements:						
Capital Set-Aside	\$6,064,850	\$2,582,950	(\$3,481,900)			
Council Set-Asides	\$36,684,923	\$36,407,226	(\$277,698)			
One-Time Bureaus	\$551,300	\$1,197,176	\$645,876			
Bureaus & Programs	\$251,244,888	\$241,379,303	(\$9,865,599)			
CSL Requirements	\$294,545,962	\$281,566,654	(\$12,979,307)			
Resources Less CSL	(\$18,632,269)	\$0	\$18,632,269			
Programs FY02-03	(\$18,632,269)	\$0	\$18,632,269			
Available One-Time	\$0	\$0	\$0			
Programs FY03-04	\$0	\$0	\$0			
Available One-Time	\$0	\$0	(\$0)			

Budget Reductions, Added Qwest Revenues Balance Budget

- ◆ The resource forecast accompanying Council's Adopted Budget is up \$5.65 million compared to earlier this Spring. The City prevailed in Court against Qwest and this added \$5 million of on-going revenues to the revenue forecast. This netted down to \$3.9 million after energy related franchise fee revenues were decreased to reflect expected rate reductions during FY2002-03. Business license revenues have been assumed \$500,000 higher. The use of excess reserves for FY2002-03 has been increased from about \$460,000 to about \$1.46 million. The net increase in resources in this forecast totals \$5.65 million.
- Bureau current service levels have been reduced by about \$9.87 million and the capital set-aside is down about \$3.48 million. Thus, about \$13.35 million in current service level reductions are embodied in this budget.
- The \$18.6 million "budget gap" identified in the previous financial forecast has been eliminated through the combination of \$13.35 million in budget reductions and increased revenue estimates.

Resource Outlook Regional Economy Remains Mired In Recession

The revenue outlook continues to be problematic. The regional economy remains mired in recession. Local and state unemployment rates are among the highest nationally. The metro region's unemployment rate was above 8% earlier in the year but has since fallen back into the "mid-sevens." The US economy seems to be building a slow but sure recovery. The recession is is deeper in the Pacific Northwest, and recovery here is expected to lag the US economy.

Police And Fire Labor Contracts Unresolved

Both Police and Fire labor contracts remain unresolved, and negotiations continue. Council's Adopted Budget and five-year financial plan assume CPI cost-of-living adjustments for both bargaining units. Contracts that exceed this assumption unbalance the Adopted Budget and five-year financial plan. If this turns out to be the case, Council will have to open the budget up to accommodate higher costs.

	M50 Assess. Value \$1000	\$34,651,649	State Cigarette & Liquor	
	FY2002-03 M50 Tax Base	\$158,600,596	Tax Revenues To City	\$8,868,233
	M50 Compression Loss	(\$4,267,023)	CPI-W Increase (December '00	
Some	Est. Tax Base Imposed	\$154,333,572	To December '01)	2.2%
Key	Delinquency/Discount(%)	-5.8000%	Measure 50 FPD&R Levy	\$74,656,426
Forecast	Delinquency/Discount (\$)	(\$8,951,347)	Beginning General Fund	
Assump-	FY03 Tax Base Revenues	\$145,382,225	FY2002-03 Balance	\$5,271,367
tions	County M50 Levy	\$181,175,220	Estimated Urban Renewal	
	Library-Local Option	\$24,806,581	Divide-The-Taxes (10 Districts)	\$42,769,119
	Total-County Levies	\$205,981,801	Current Forecast: FY2002-03 to	o FY2006-07

Forecast FY2002-03 resources are up \$5.65 million compared to the previous FY2002-03 forecast done last March. In addition, the beginning balance estimate is unchanged, but recent financial results through period 12 make it look doubtful that this balance will materialize. Property tax revenues are unchanged but there is much uncertainty. Next year, property taxes will be calculated under new formulas designed to bring the system into conformance with the Shilo Inn decision. The property tax revenue estimate has been prepared using County Assessment & Taxation modeling which represents the

Revenue Forecast RECAP-First Year Budget, FY2002-03 best information available for this forecast. FY2002-03 General Fund Difference Revenue Category **Previous** Current Business license reve-Property Taxes..... \$149.036.195 \$149,036,195 \$0 nues are assumed to Transient Lodgings..... \$10.488.630 \$10.488.630 \$0 be \$500,000 higher due Business Licenses..... \$46,140,528 \$46,640,528 \$500,000 two new field positions. Utility License/Franchise...... \$47.702.788 \$51.610.096 \$3.907.308 State Revenues..... \$8.868.232 \$8,868,233 \$1 Franchise fees are net. Interest Income..... \$1,471,022 \$1,471,022 \$0 about \$4 million higher Transfers (*) IN..... \$2,169,680 \$3,415,332 \$1,245,652 as a result of inclusion Miscellaneous...... \$4.765.251 \$4,765,251 \$0 of \$5 million of Qwest Revenue Forecast...... \$270.642.326 \$276,295,287 \$5,652,961 franchise fee revenues **Beginning FUND Balance......** \$5,271,367 \$5,271,367 \$0 in the forecast as offset Forecast Resources..... \$275,913,693 \$281,566,654 \$5,652,961 by energy related re- % Change In Revenues...... 2.09% ductions. 2.05% % Change In Resources......

(*) Includes excess reserves transfer-IN of \$1.46 million from the General Reserve Fund.

"Transfers IN" are up \$1.25 million reflecting an increased excess reserve transfer from the General Reserve Fund. The out-years of this revenue forecast continue to assume transfer of excess reserves to the

General Fund; the Reserve Fund remains at 10%.

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of \$158.6 million. The levy estimate results from application of a fixed permanent \$4.5770 per \$1,000 tax rate to about \$34.7 billion of Measure 50 assessed values. This levy is assumed compressed by about 2.8% reflecting the expected effect of the Shilo Inn Supreme Court urban renewal decision. The property tax revenue forecast also incorporates Council's creation of five new urban renewal districts (River District, Lents, Macadam, Interstate, and Gateway), with the frozen base values for the last two now available. The combined delinquency and discount rate is expected to rise slightly to about 5.8 percent as a result of recession. New construction assessed value growth is reduced to 0.7% from 1.1%. The effect of a re-

Revenue Forecast ASSUMPTIONS				
Revenue Category	FY2002-03			
CITY Property Tax Levies				
Measure 50 Taxbase Levy	\$158,600,596			
Local Option Levy	\$0			
Measure 50 F&PD&R Levy(*)	\$74,656,426			
FPD&R, General Fund Total.	\$233,257,022			
MULTNOMAH County Levies				
Measure 50 Levy Authority	\$181,175,220			
Local Option Levy (Library)	\$24,806,581			
Mult. County Levy Total	\$205,981,801			
M50 Assessed Value Growth	3.6%			
Percent of FY2001-02 Levies				
Not Received First Year	-5.8%			
Measure 50 Compression	-2.7%			
Est. Portland Population	541,271			
GDP Growth (Economy.Com)	0.7%			
Revenue Sharing (State)	\$8,868,233			

duction in assessed values associated with EPA's (*) Preliminary

Portland Harbor superfund site are not known. Appeals by affected properties may result in reduced values

and materially affect next Fall's property tax levy certifications.

THE BOTTOM LINE: The forecast shows Council has balanced the General Fund over the next five-years, albeit at lower current service levels. CSL budgets are down about \$9.87 million from last Fall's forecast current service level of about \$251.2 million. The bottom line is that Council has fashioned and FY2002-03 budget and five-year financial plan that reduces on-going CSL costs in order to bring the General Fund into balance over the financial planning forecast horizon.

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

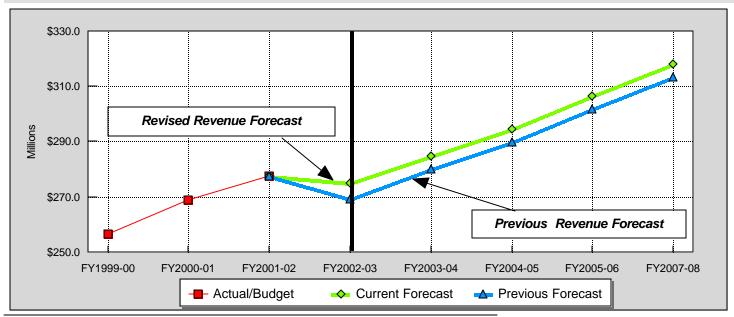


Figure 1-Current General Fund 5-Year Revenue Forecast

The key environmental assumption is recovery from national economic recession and a reviving metro-area economy. It is now widely recognized that Oregon and the Pacific Northwest are mired in a deeper recession when compared to the national economy. Recovery still appears as problematic locally.

Figure 1 summarizes the 5 year revenue forecast off of the FY2001-02 base. Revenue growth remains critically dependent on assessed value growth. Revenue growth is forecast to average 2.8 percent over the next five years. The recession translates into a dip in revenues because of a sharp downturn in "cyclical" revenues such as business licenses and transient lodging taxes. Property taxes, under new Shilo Inn calculations rules are a question mark.

Estimated FY2002-03 General Fund current service level (CSL) costs are \$241.379 million, versus the December estimate of \$251.244 million for FY2002-03 bureau CSL costs. Out-year CSL cost estimates are also lower than in the previous forecasts and reflect budget process CSL reductions. Actual December to December CPI-W local area inflation was 2.2 percent.

Estimated Current Service Level Forecast					
Assumptions	FY2002-03				
FY2002-03 CSL Cost					
Previous CSL Forecast	\$251,244,888				
Current CSL Forecast	\$241,379,290				
Difference In CSL Estimates	(\$9,865,599)				
General Inflation Rates					
GDP Price Deflator	2.2%				
CPI-% (Dec.'00-Dec.'01)	2.2%				
Benefits CAP Escalation	10.5%				
Producer Price Index	9.5%				
CPI-Energy	2.3%				
External M&S					
General-Overall	3.3%				
Energy-Electricity	35.0%				
Energy-Gas	22.5%				
Sewer	8.9%				
Water	4.0%				
Utilities-Overall	17.9%				
Internal M&S					
General-Overall	3.3%				
Risk/Workers' Comp	15.0%				
Wage & Salary % Increase					
Public Safety (*)	2.2%				
All Other	2.2%				
(*) Fire and Police Rureaus	•				

(*) Fire and Police Bureaus

A key assumption in this financial forecast is slower CSL growth. This results from less inflation as a result of an expected break in energy cost increases as well as the "moderating" effects of a recession on general price increases. This has helped to offset, somewhat, the negative impact of a much higher City health benefits contributions than was incorporated into the previous financial forecast done last December.

COUNCIL set-asides, FY2002-03, are shown in the table to the right in line item detail as follows:

- The business license refund set-aside remains at \$5.55 million, but in each of the last two years refunds have exceeded this level.
- 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 has been scaled back to about \$2.58 million exclusive of annual debt service related requirements of about \$1.5 million. Debt service requirements are included in "Other Debt Service" and includes "Schools" and various debt services.
- The compensation set-aside BIT Transfers..... is forecast at \$7.6 million plus an additonal \$500,000 for targeted sever- Total Budgeted/Council

ances. Health benefits escalation is	Estimated Council Set-Asides	\$42,749,773		
10.5% as required by labor contracts.	Difference versus Previous Fore	ecast		
The compensation set-aside continues (*) Endangered Species Act (ESA) (**) Net of debrt service.				
to assume that labor negotiations with I	Police and Fire result in contracts the	nat follow the patt		

General Fund Financial Model

the pattern set by the recently approved DCTU contract: CPI-W wage and salary increases, July 1, of 2.2 percent. Adopted Budget Current Service Level (CSL) Requirements

\$360.0 & Set-Aside Requirements \$335.0 \$310.0 \$285.0 \$260.0 \$235.0 \$210.0 SSL \$185.0 \$160.0 FY2001-02 FY2003-04 FY2005-06 FY2004-05 FY2006-07 FY2002-03 Fiscal Year Ending June 30th ■ Bureaus □ One-Time □ Set-Asides

Figure 2-Current Service Level (CSL) Requirements

Set-asides are down \$3.76 million compared to last March's forecast for FY2002-03.

Forecast Council Set-Asides

Set-Aside Item

Compensation Set-Aside.....

ESA(*) Set-Aside.....

Street Light O&M.....

General Fund Contingency.....

Unforeseen & Inventory.....

Capital Set-Aside (**).....

PDOT CSL Support.....

2040/Town Centers.....

Unemployment Insurance.....

City Hall Debt Service.....

POBS Debt Service.....

Other Debt Service.....

Business License Refunds.....

City Hall Maintenance Reserve....

Housing Trust Fund.....

Transfer to Reserves.....

CIPs O&M Set-Aside.....

Early Childhood Development.....

Miscellaneous Transfers.....

TANS Borrowing-Interest

Subtotal-Contingency

Forecast FY2002-03

Current

\$8.053.712

\$5,989,352

\$1,682,248

\$2.000.000

\$3,682,248

\$2,582,950

\$84,794

\$133,377

\$500,000

\$2,479,350

\$3,843,602

\$2,977,549

\$5.551.863

\$316.800

\$55,652

\$0

\$0

\$349.589

\$940,550

\$474.900

\$38,990,176 (\$3,759,598

\$35,000

\$938,887

In March

\$7.692.768

\$1,009,635

\$6,335,179

\$1,400,000

\$2.000.000

\$3,400,000

\$6,064,850

\$84,795

\$133,377

\$500,000

\$2,479,350

\$3,843,597

\$2,740,426

\$5,551,863

\$400.000

\$493,000

\$349.589

\$317,213

\$940,550

\$399,900

\$13,681

\$0

Other set-asides in Council's second year budget inlcude Pension Obligation Bond debt service requirements of about \$3.8 million. These costs continue to ramp up as planned.

The Early Childhood Development set-aside remains in the forecast as modified by Council mid-year adjustments.

PDOT CSL support remains as included in Council's previous financial plan.

The table at the right combines the FY2002-03 resource forecast with bureau CSL targets forecast

for FY2002-03. Resources total an estimated \$281.566 million. Deducting setasides of \$38.990 million leaves about \$242.576 million for on-going CSL program and one-time budgets.

The forecast gap between resources and requirements of \$18.632 is eliminated. On-going CSL requirements are balanced against available resources. The General Fund is also balanced over the five-year financial forecast horizon through to the end of FY2006-FY2007.

Sources & Uses of Funds: Financial Forecast FY2002-03				
	Budget	FY2002-03		
Item	FY2001-02	Forecast		
Forecast FUND Revenues	\$277,309,633	\$276,295,287		
Beginning FUND Balance	\$6,137,051	\$5,271,367		
Total FUND RESOURCES	\$283,446,684	\$281,566,654		
Less: Council Set-Asides	(\$34,943,327)	(\$36,407,226)		
Less: Capital Set-Aside	(\$5,150,950)	(\$2,582,950)		
EQUALS: AVAILABLE				
TO BUREAUS-PROGRAMS	\$243,352,407	\$242,576,479		
Bureaus CSL Requirement	\$243,352,407	\$242,576,479		
EST. GAP, DIFFERENCE	\$0			
AVAILABLE ON-GOING FY2002-0	\$0			
New One-TimeFY2003-04Sec	\$0			

The "Forecast" column, shows that forecast FY2002-03 resources, and more importantly out-year resources permit funding of lowered General Fund current service level (CSL) costs as embodied in Council's Adopted FY2002-03 Budget:

- A \$5.6 million increase in resources in this forecast helped to close the CSL funding gap faced by Council. The bulk of this is due to the fact that the City prevailed in Federal Court against Qwest in a dispute over franchise fees, thus reinstating \$5 million in on-going revenues to the forecast.
- Council reduced Adopted Budget bureau current service levels by \$9.87 million and cut back Council set-sides by another \$3.8 million. These reductions closed the "CSL gap" and helped to balance the General Fund.

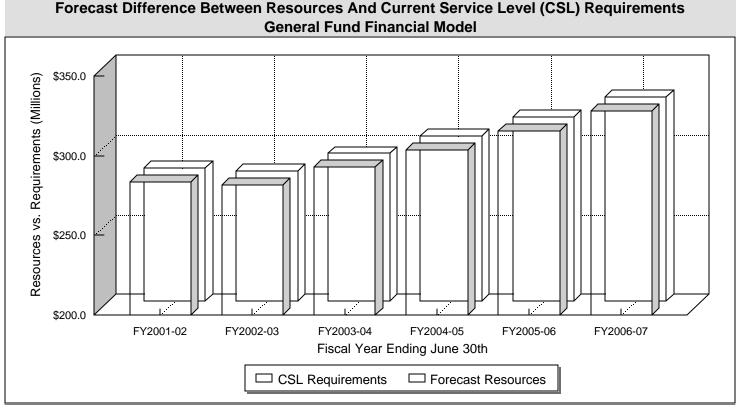


Figure 3-Financial Forecast Resources Compared To Requirements
Financial Forecast (FORC03AB) 20-Jun-2002

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total \$574.286 million for two years ending FY2003-04.
- Estimated requirements total \$574.286 million over two years.
- The General Fund is balanced over the two-year budget and for the life of the financial forecast. Estimated CSL and Council set-asides reductions totaling \$13 million balanced the fund.

1	Resources & Requirements Summary Next Two Years				
	Budget				
	FY2000-01	FY2002-03 FY2003-04 Total			
Item-Category ▼ Resources →	\$283,446,684	\$281,566,654	\$292,720,323	\$574,286,978	
Less: Assumed Set-Asides	, , ,	, ,	, , ,	. , ,	
TANS Interest Expense	\$349,589	\$349,589	\$350,685	\$700,274	
Compensation Set-Aside	\$6,798,694	\$8,053,712	\$7,158,204	\$15,211,916	
Other Set-Asides					
Contingency	\$1,183,565	\$1,682,248	\$1,400,000	\$3,082,248	
Unforeseen Reimbursable	\$2,000,000	\$2,000,000	\$2,000,000	\$4,000,000	
Subtotal-Contingency	\$3,183,565	\$3,682,248	\$3,400,000	\$7,082,248	
Capital Set-Aside	\$5,150,950	\$2,582,950	\$3,199,269	\$5,782,219	
PERS Debt Service	\$3,904,191	\$3,843,602	\$5,387,449	\$9,231,052	
Other General Fund Debt Service	\$3,809,720	\$2,977,549	\$2,320,483	\$5,298,031	
City Hall/Precincts-Debt Service	\$2,479,350	\$2,479,350	\$2,479,350	\$4,958,700	
Street Light O&M Transfer	\$5,149,791	\$5,989,352	\$6,023,660	\$12,013,012	
2040 Planning	\$395,264	\$133,377	\$200,065	\$333,442	
PDOT CSL Support	\$82,284	\$84,794	\$87,008	\$171,802	
Unemployment Insurance	\$200,000	\$500,000	\$200,000	\$700,000	
Business License Refunds	\$5,308,768	\$5,551,863	\$5,737,045	\$11,288,908	
City Hall Maintenance Reserve	\$400,000	\$316,800	\$316,800	\$633,600	
ESA Set-Aside	\$987,576	\$938,887	\$962,307	\$1,901,194	
Early Childhood Development	\$1,000,000	\$940,550	\$0	\$940,550	
CIPs Related O&M Costs	\$0	\$0	\$594,530	\$594,530	
Housing Trust Fund	\$493,000	\$55,652	\$516,414	\$572,066	
Miscellaneous Transfers	\$13,283	\$35,000	\$338,917	\$373,917	
BIT Transfer	\$388,252	\$474,900	\$489,147	\$964,047	
Subtotal, Assumed Set-Asides	\$40,094,277	\$38,990,176	\$39,761,332	\$78,751,508	
Bureau Requirements + One-Time	\$243,352,407	\$242,576,466	\$252,958,991	\$495,535,457	
Total Requirements	\$283,446,684	\$281,566,654	\$292,720,323	\$574,286,965	
Resources less Requirements					
Equals Excess(+)/CSL Gap(-)	\$0	\$0	\$0		
On-Going Program Reductions	\$0	\$0	\$0	\$0	
Available One-Time	\$0	\$0	(\$72)	(\$72)	

FY2002-03 Through FY2006-07 Financial Forecast Summary

- This financial forecast shows that the General Fund's financial outlook is improved in that budget reductions have brought current service level estimates in line with expected resources over the five-year forecast period. The first year of the five-year financial forecast, FY2002-03 is Council's Adopted Budget. The previous two financial forecasts (December and March) identified "CSL gaps" of about \$14 and \$18.6 million respectively. Council's Adopted Budget closes that gap and balances both the budget and the five-year financial forecast mostly through bureau budget reductions.
- This financial forecast makes the assumption that \$1.8 million of excess reserves are used over the life of the five-year forecast with the bulk of this use occurring during FY2002-03. Otherwise the General Reserve Fund is expected to remain fully funded at 10% of net revenues.
- The scenario used for the 5-year forecast is realistic. Legislative or voter actions that reduce property tax revenues, state shared cigarette and liquor revenues, or franchise fees upsets the forecast. The possibility of a deeper or longer lasting recession continues 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 remaining at the required 10% level throughout the five-year forecast horizon. The General Fund is balanced at a lower CSL level as embodied in Council's Adopted Budget. The table (below) summarizes the five-year financial forecast as it currently stands given Council's previous five-year financial plan and budget process outcomes. The current CSL cost forecast does not assume sequentially higher capital set-asides and assumes that Council rescinds Adopted Resolution #33526 (at budget adoption) which required \$1 million annual increases in the capital set-aside.

	Two-Year Bu	Two-Year Budget Window		Following Two-Year Budget		Following Two-Year Budget	
Item	2003	2004	2005	2006	2007		
Total Resources	\$280,102,879	\$292,720,323	\$303,489,203	\$315,607,223	\$327,716,349		
Transfer In From							
General Reserve	\$1,463,775	\$0	\$19,245	\$0	\$339,827		
Bureaus & Programs	\$241,379,290	\$253,010,949	\$263,352,772	\$272,814,978	\$283,523,537		
Capital Set-Aside	\$2,582,950	\$3,199,269	\$3,499,162	\$3,842,386	\$5,042,968		
Est. CSL Reduction	\$0						
Scheduled One-Time	\$1,197,176	<i>\$0</i>	\$0	\$0	\$1,125,000		
New One-Time	<i>\$0</i>	<i>\$0</i>	\$0	\$0	\$0		
Pension Bonds P&I	\$3,843,602	\$5,387,449	\$6,111,796	\$6,846,831	\$7,825,393		
Council Set-Asides	\$32,563,636	\$31,122,656	\$30,544,718	\$32,103,029	\$30,539,278		
Total Requirements	\$281,566,654	\$292,720,323	\$303,508,448	\$315,607,224	\$328,056,176		
Difference	\$0	<i>\$0</i>	\$0	(\$0)	(\$0)		
Reserve Fund As A	_		_				
Percent Net Revenues	10.0%	10.1%	10.2%	10.6%	10.7%		

Risks To The Financial Forecast

This forecast assumes a moderate recession lasting well into calendar 2002 with a recovery starting during 2003. There are several uncertainties that could adversely affect this forecast:

- A severe recession like that of the 1980s is inconsistent with this forecast.
- Remand of the Shilo Inn case to the Oregon Tax Court still represents an uncertainty.
- PERS is still grappling with system funding problems that could increase City pension costs.
- The status and fiscal impact of Measure 7 remains unknown at this time.
- The Oregon Legislature continues to grapple with large state budget shortfalls, the resolution of which could easily have an adverse impact on state tax revenues shared with cities.

Two-Year Forecast Resources-By Budget Category Detail						
Category	Category FY2001-02 FY2002-03 FY2003-04					
RESOURCES	Budget	Forecast	2nd Year			
Property Taxes						
Current Year Taxes	\$141,066,594	\$145,382,226	\$151,241,378			
Prior Year Taxes	\$3,922,235	\$3,036,202	\$3,634,270			
Payment in Lieu of Taxes	\$494,318	\$617,767	\$617,767			
Total Property Taxes	\$145,483,147	\$149,036,195	\$155,493,415			
Other Taxes						
Lodging Tax	\$11,518,217	\$10,488,630	\$10,857,717			
Licenses & Permits						
Business Licenses	\$52,937,681	\$46,640,528	\$47,725,376			
Utility License-External	\$38,341,191	\$37,275,725	\$39,031,506			
State Sources(*)						
State Shared Revenue	\$7,993,053	\$8,868,233	\$8,813,833			
Local Government						
Local Shared Revenue	\$2,252,543	\$2,715,251	\$2,806,189			
Miscellaneous Revenues						
Refunds	\$30,000	\$30,000	\$30,000			
Interest on Investments	\$2,283,181	\$1,471,022	\$1,898,014			
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	\$3,717,679	\$3,917,219	\$4,182,472			
Sewer Operating	\$9,750,000	\$10,417,152	\$11,186,523			
Miscellaneous						
Parking Facility-Tax Offset	\$196,130	\$202,014	\$208,074			
Hyro-Fund Transfer	\$150,000	\$200,000	\$200,000			
Fleet Transfer	\$0	\$1,360,853	\$0			
Refuse Disposal	\$40,000	\$55,000	\$55,000			
HCD-Indirect	\$96,515	\$133,690	\$133,690			
Federal Grants-Indirect	\$0	\$0	\$0			
Transfer-General Reserve	\$460,296	\$1,463,775	\$0			
From Parks Trust	\$40,000	\$0	\$0			
Subtotal-Transfers, Misc.	\$982,941	\$3,415,332	\$596,764			
Beginning Fund Balance						
Unencumbered	\$6,137,051	\$5,271,367	\$8,078,515			
TOTAL DISCRETIONARY	\$283,446,684	\$281,566,654	\$292,720,323			
Checksum Total-Page 2	\$283,446,684	\$281,566,654	\$292,720,323			
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 avoided an immediate PERS employer contribution rate increase to 17.4%. The debt service costs were structured so as to phase in higher pension costs over a ten year period allowing revenue growth to help absorb the impact of higher employer PERS costs.

Pension bond debt service are allocated to bureaus using the most recent year's actual PERS contributions. Actual FY2000-01 PERS contributions allocate annual FY2002-03 debt services costs.

			Annual POB Debt Service	
	Bureau PERS	Percentage	FY2002-03	FY2003-04
FUND	FY2000-01	Allocation	\$10,230,546	\$14,149,067
General Fund Bureaus	\$9,143,882	31.74888%	\$3,248,084	\$4,492,170
Street Light (PDOT)	\$61,351	0.21302%	\$21,793	\$30,140
BOEC @ 77%	\$886,476	3.07797%	\$314,893	\$435,504
OPDR	\$674,107	2.34060%	\$239,456	\$331,173
Worker Comp. Oper.	\$145,152	0.50399%	\$0	\$71,310
Subtotal	\$10,910,968	37.88446%	\$3,824,226	\$5,360,297
PDOT (net)	\$5,070,008	17.60380%	\$1,800,965	\$2,490,773
BOEC (net)	\$278,702	0.96769%	\$99,000	\$136,920
Buildings (OPDR)	\$1,468,844	5.10004%	\$521,762	\$721,608
BES	\$3,677,242	12.76792%	\$1,306,227	\$1,806,541
Hydroelectric	\$27,028	0.09385%	\$9,601	\$13,278
WATER	\$3,894,598	13.52261%	\$1,383,437	\$1,913,323
Golf Operating	\$239,666	0.83215%	\$85,134	\$117,742
PIR	\$38,900	0.13507%	\$13,818	\$19,111
Refuse Disposal	\$73,612	0.25559%	\$26,148	\$36,164
Environ. Remediation	\$1,306	0.00453%	\$464	\$642
Parks Bond Const.	\$15	0.00005%	\$5	\$7
Parks Construction	\$76,063	0.26410%	\$27,019	\$37,368
Facilities Services	\$287,390	0.99786%	\$102,086	\$141,188
Fleet Operating	\$518,959	1.80190%	\$184,344	\$254,952
Print & Distribution	\$185,631	0.64454%	\$65,940	\$91,196
BIT	\$451,121	1.56636%	\$160,247	\$221,625
Insurance & Claims	\$39,276	0.13637%	\$13,952	\$19,295
Health Insurance	\$41,439	0.14388%	\$14,720	\$20,358
LID	\$74,207	0.25766%	\$26,360	\$36,456
FPD&R	\$79,387	0.27564%	\$28,200	\$39,001
Housing Investment	\$61	0.00021%	\$22	\$30
Comm. Services	\$265,775	0.92281%	\$94,408	\$130,569
Public Safety Fund	\$859	0.00298%	\$305	\$422
Worker Comp. Oper.	\$145,152	0.50399%	\$51,561	\$0
PDC	\$954,436	3.31394%	\$339,034	\$468,892
TOTAL All Funds	\$28,800,645	100.00000%	\$10,178,985	\$14,077,757

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

	2005	2006	2007
Out-Year Debt Service	\$16,051,419	\$17,981,842	\$20,551,842

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 represent a risk to this and subequent forecasts.