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

As Of... 01-Mar-2005 Previous Forecast..... 09-Dec-2005

Higher PERS Cost, Inflation, And Expected Labor Cost Increases Worsen General Fund Outlook

Item	Previous Forecast	Revised Budget	Difference vs. Previous
Council Discretionary Available FY2005-06.....	*$303,288,777*	*$305,614,282*	*$2,325,504*
Requirements:			
Capital Set-Aside.....	*$1,790,000*	*$1,790,000*	*$0*
Council Set-Asides.....	*$28,795,368*	*$30,325,683*	*$1,530,316*
One-Time Bureaus	*$79,500*	*$79,500*	*$0*
Bureaus & Programs.....	*$262,476,026*	*$262,765,082*	***$289,056***
CAL Requirements..	*$293,140,894*	*$294,960,266*	*$1,819,373*
Resources Less CAL	*$10,147,883*	*$10,654,015*	*$506,132*
Programs FY05-06.....	*($14,250,000)*	*($16,368,006)*	*($2,118,006)*
Available One-Time...	***$24,397,904***	*$27,022,022*	*$2,624,118*
Programs FY06-07.....	***$0***	*$0*	***$0***
Available One-Time.....	***$10,462,127***	***$11,837,478***	***$1,375,351***

General Fund Financial Condition Worsens

- *The December financial forecast has been updated. The bottom line is that balancing the General Fund for the life of the five-year forecast increases on-going cuts from $14.25 million last December to an estimated $16.37 million. Beginning fund balance and revenues are higher but estimated on-going costs are $1.8 million above the last forecast.*
- *The revised forecast while worse than the previous forecast is better than interim February estimates circulated by OMF. This is because the actual CPI-W increase came in at only 2.7%. In addition, bureaus have absorbed the first 2.5 percentage points of the overall PERS increase in their requested budgets.*
- *Costs in this forecast are about $1.8 million higher with the bulk of this due to the unanticipated PERS increase. Most of the increase in resources is additional beginning balance which is one-time money.*

Current Outlook

General Fund's Condition Continues To Worsen

Last Fall's financial forecast included three major adjustments that combined, created a large gap between available resources and estimated requirements. Higher inflation estimates, health benefits, and a Council adopted Water/Sewer utility license fee revenue cap worsened the basic forecast.

The General Fund's financial condition continues to deteriorate.

The City's PERS employer contribution rate will be 1.7% percentage points higher than assumed last December. This adds about $1.8 million annually to General Fund requirements. The estimated discretionary portion totals $1.2 million.

This forecast also contains a provision for PFFA labor contract costs above expected CPI-W. Although PFFA rejected the City's offer, the cost of the City's offer in excess of a CPI-W increase has been assumed as a new set-aside requirement.

Some Key Forecast Assumptions

M50 Assess. Value $1000....	$37,105,033	***State Cigarette & Liquor Tax Revenues To City.....***	*$10,005,931*
FY2005-06 M50 Tax Base....	$169,829,736		
M50 Compression Loss.....	*($6,538,445)*	***CPI-W Increase (2nd Half '03 To 2nd Half '04, for COLAs).....***	***2.7%***
Est. Tax Base Imposed.....	$163,291,291		
Delinquency/Discount(%)....	*-5.6%*	***Measure 50 FPD&R Levy.....***	*$88,113,693*
Delinquency/Discount ($)....	*($9,144,312)*	***Beginning General Fund FY2004-05 Balance.....***	*$16,619,182*
FY04 Tax Base Revenues....	$154,146,979		
County M50 Levy.....	$193,347,412	***Estimated Urban Renewal Divide-The-Taxes (11 Districts)..***	***$54,953,803***
Library-Local Option.....	$33,608,992		
Total-County Levies.....	*$226,956,404*	***Current Forecast: FY2005-06 to FY2009-10***	

Forecast FY2005-06 resources are up $2.3 million compared to the previous forecast done last December. Revenues are up net about $639,281. Beginning balance is up $1.67 million. On the revenue side, property tax revenue estimates are essentially unchanged for FY2005-06. Transient lodging tax revenues are up about $296,000. Revenues strengthened during the last quarter of FY2003-04 and on into the first seven months of FY2004-05. Business license revenues continue to show growth and are up another $605,000 in this forecast. Utility license fees reflect Council's recently enacted "Cap" on Water and BES utility license fees. In this forecast PGE and telecom (Qwest) related revenues are down net about $800,000. Natural gas franchise fees are up slightly in this forecast, but not enough to offset the declines.

Revenue Forecast RECAP-First Year Budget, FY2005-06			
General Fund Revenue Category	Previous Forecast	Current Forecast	Difference
Property Taxes.....	**$158,649,039**	**$158,644,543**	($4,495)
Transient Lodgings.....	**$11,641,850**	**$11,938,032**	$296,182
Business Licenses.....	**$42,733,950**	**$43,338,825**	$604,875
Utility License/Franchise.....	**$58,245,728**	**$57,446,430**	($799,298)
State Revenues.....	**$9,663,913**	**$10,005,931**	$342,018
Interest Income.....	**$1,545,510**	**$1,545,510**	$0
Transfers IN.....	**$1,219,580**	**$1,419,580**	$200,000
Miscellaneous.....	**$4,656,249**	**$4,656,249**	$0
Revenue Forecast.....	**$288,355,819**	**$288,995,100**	$639,281
Beginning FUND Balance....	**$14,932,959**	**$16,619,182**	$1,686,223
Forecast Resources.....	**$303,288,777**	**$305,614,282**	$2,325,504
% Change In Revenues.....		**0.22%**	
% Change In Resources.....		**0.77%**	

Interest income is unchanged and continues to assume that "The FED" raises interest rates at a "measured" pace over the next 12 to 18 months. The excess reserve transfer into the General Fund is increased $200,000 in this forecast. State, liquor and cigarette tax revenues are up another $342,00 in this forecast. Overall revenues in this forecast are increased marginally by about 0.22 percent.

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of $169.83 million. This is unchanged from December. The forecast calls for 2.85% assessed value growth on existing taxable assessed values with 0.25% added to the tax rolls as a result of new construction. The lingering effects of recession continue to negatively impact non-residential assessed values. In FY2004-05, corporate personal property, centrally assessed industrial and utility values, taken together grew by only 1.2%. While this was better than FY2003-04's across-the-board negative growth, taxable assessed value growth remains meager in these three large property classes.

Revenue Forecast ASSUMPTIONS	
Revenue Category	FY2005-06
CITY Property Tax Levies.....	
Measure 50 Taxbase Levy.....	$169,829,736
Local Option & UR Collections	$99,137,744
Measure 50 F&PD&R Levy(*)....	$88,113,693
FPD&R, General Fund Total.	**$357,081,173**
MULTNOMAH County Levies	
Measure 50 Levy Authority.....	$193,347,412
Local Option Levy (Library).....	$33,608,992
Mult. County Levy Total.....	**$226,956,404**
M50 Assessed Value Growth....	3.10%
Percent of FY2004-05 Levies	
Not Received First Year.....	-5.60%
Measure 50 Compression.....	**-3.85%**
Est. Portland Population.....	555,861
GDP Growth (Economy.Com)....	**0.9%**
Revenue Sharing (State).....	$10,005,931

(*) Requested budget.

The FPD&R levy is expected to total $88.1 million, up only about $2 million over the current fiscal year. This, levy estimate is based on FPD&R's requested budget. A new five-year FPD&R forecast has also been fed into this forecast. The forecast also assumes property tax revenues continue to be generated under DOR's new Shilo-Inn tax rules.

THE BOTTOM LINE: The forecast shows that General Fund resources are somewhat improved over last December but out-year health benefits costs increases, a much higher PERS employer contribution rate and an expected PFFA contract above CPI-W increase costs well above the December forecast. The result is a significant deterioration in the General Fund's financial outlook requiring even larger reductions in on-going budgets and programs in order to balance over the next five-years.

Current Mayor's Proposed 5-Year REVENUE Forecast
General Fund Financial Model

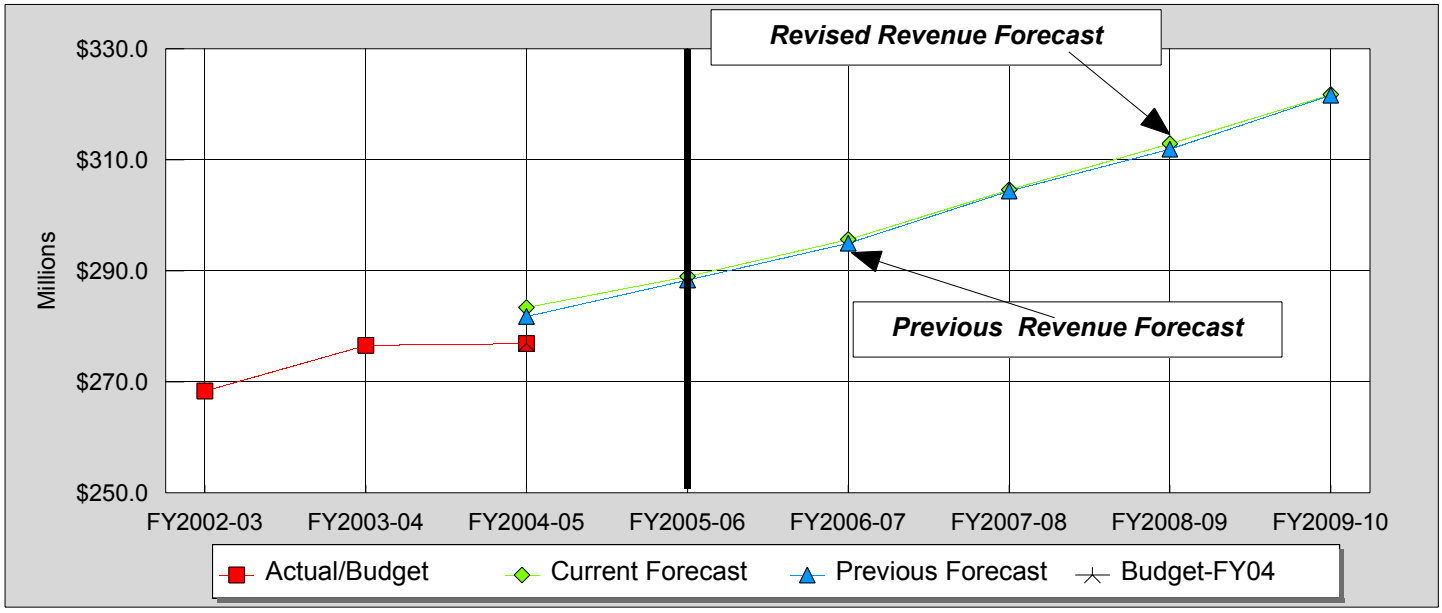

Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is a national economy that continues to recover from recession, as well as a recovering local economy. The Pacific Northwest economy continues to lag in recovery from recession. Metro-area and Oregon unemployment rates have only recently retreated from among the highest nationally.

Figure 1 summarizes the 5 year revenue forecast off of the FY2004-05 base. Revenue growth remains critically dependent on assessed value growth. Revenue growth is forecast to average 2.9 percent over the next five years. Revenues were higher in the previous forecasts in FY2008-09 because they contemplated using excess reserves in that year. The previous forecast as well as this forecast do not use this strategy because of the size of the General Fund shortfall.

Estimated FY2005-06 General Fund current allocation level (CAL) costs are $262.765 million, versus the previous forecast's $262.476 million. Bureau CAL targets are up net, about $289,056 (0.1%) compared to the previous forecast. The principal reason for this is a $276,000 increase in Parks' CAL for O&M costs for capital projects approved by Council and in the "pipeline." The only other adjustments are small technical adjustments split among Cable, Fire, and POEM.

Estimated Current Allocation Level Forecast Assumptions	FY2005-06
FY2004-05 CAL Cost	
Previous CAL Forecast.....	$262,476,026
Current CAL Forecast.....	$262,765,082
Difference In CAL Estimates.....	*$289,056*
General Inflation Rates.....	
GDP Price Deflator.....	2.4%
CPI-W% (Dec.'03-Dec.'04).....	**2.7%**
Benefits CAP Escalation.(*).....	**4.3%**
Producer Price Index.....	0.6%
CPI-Energy.....	1.8%
External M&S.....	
General-Overall.....	2.3%
Energy-Electricity.....	3.5%
Energy-Gas.....	20.0%
Sewer.....	8.9%
Water.....	4.0%
Utilities-Overall.....	8.1%
Internal M&S.....	
General-Overall.....	2.3%
Risk/Workers' Comp.....	5.8%
Wage & Salary % Increase.....	
Public Safety.....	**2.7%**
All Other.....	**2.7%**

(*) Not applicable to sworn Police personnel.

This financial forecast and the previous forecast do not benefit from slower CAL growth due to continued lower inflation in the Portland area as measured by Portland-Salem CPI-W price index growth. Labor contracts are tied to the actual December 2003 to December 2004 CPI-W increase which as published by the Bureau of Labor Statistics came in at 2.7%. This number is well above recent annual increases.

COUNCIL set-asides, FY2005-06, as currently estimated are shown in the table at the right as follows:

- The compensation set-aside is $1.7 million lower given actual December to December CPI-W increase of 2.7% versus 3% last forecast.

- The General Fund's cash position continues to be stable and the forecast continues to assume the fund will not have to issue tax anticipation notes (TANS).

- The capital set-aside (net of related debt service requirements) remains at $1.8 million net of $1 million included in Fire's target. Capital related "Other Debt Service" totals about $1.2 million for FY2005-06.

- The forecast continues to assume $750,000 of new debt service on new affordable housing projects.

A set-aside of $1.159 million for the estimated discretionary portion for a higher than anticipated PERS contribution rate has been put into this forecast. In addition, a set-aside matching the increase in costs above CPI-W associated with the City's recent contract offer to PFFA has been included in this forecast.

Forecast Council Set-Asides

Set-Aside Item	Forecast FY2005-06 Previous	Forecast FY2005-06 *Forecast*
Compensation Set-Aside.....	***$8,433,091***	***$6,670,526***
ESA(*) Set-Aside/Planning.....	$359,348	$359,349
Street Light O&M.....	$5,164,552	$5,164,552
General Fund Contingency.....	$1,400,000	$1,400,000
Unforeseen & Inventory.....	$2,000,000	$2,000,000
Subtotal-Contingency	$3,400,000	$3,400,000
Capital Set-Aside (*).....	$1,790,000	$1,790,000
PFFA Contract Offer.....	**$0**	***$1,868,636***
ESA Set-Aside/BES.....	$372,918	$372,918
Transfer, 1900 Bldg. Offset.....	$475,000	$475,000
City Hall Debt Service.....	$1,624,240	$1,624,240
POBS Debt Service.....	***$5,769,195***	***$6,033,880***
Other Debt Service.....	$1,205,493	$1,205,493
Healthcare Fund Option #2.....	$0	***$0***
City Hall Maintenance Reserve.	$302,055	$302,055
Housing Trust Fund.....	$507,497	$507,498
TANS Borrowing-Interest	$0	$0
Transfer to Reserves.....	$0	$0
New Housing P&I.....	$750,000	$750,000
PERS Increase (Discretionary).	**$0**	***$1,159,580***
BIT Transfers.....	$431,957	$431,957
Miscellaneous Transfers.....	$0	$0
Total Budgeted/Council Estimated Council Set-Asides	**$30,585,347**	**$32,115,683**
Difference versus Previous Forecast.....		**$1,530,337**

(*) Net capital related "other debt service."

Adopted Budget Current Allocation Level (CAL) Requirements General Fund Financial Model

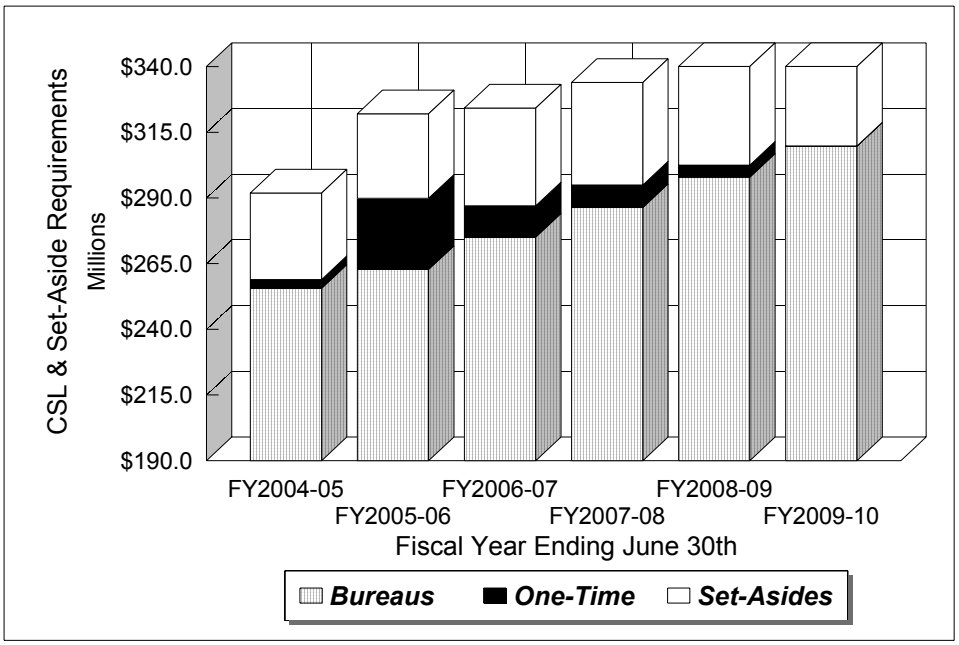

Figure 2-Current Service Level (CAL) Requirements

Other set-asides in Council's current financial plan include Pension Obligation Bond debt service costs of about $6.033 million as revised by Debt Management.

Council's Adopted Budget in-cluded a one-time $0.99 million economic development fund set-aside (one-time only). This drops out of the FY2005-06 financial forecast.

Set-asides are up net by about $1.5 million. This increase is due to inclusion of higher PERS costs and expected PFFA labor contract costs.

The table at the right combines the FY2005-06 resource forecast with fund CAL forecast estimates for FY2005-06. Resources total an estimated $305.61 million. Deducting set-asides of $32.12 million leaves about $10.65 million. Out-year financial forecast deficits reach an estimated $19.30 million in FY2009-10. Balancing over the five-year forecast period can only be accomplished by treating the $10.65 million as one-time and reducing on-going budgets by $16.36 million. This results in the creation of about $27.022 million available to Council as a one-time resource for the FY2004-06 budget.

Sources & Uses of Funds: Financial Forecast FY2005-06		
	Budget	FY2005-06
Item	FY2004-05	***As Revised***
Forecast FUND Revenues.....	$276,909,409	$288,995,100
Beginning FUND Balance.....	$14,965,294	$16,619,182
Total FUND RESOURCES	*$291,874,703*	*$305,614,282*
Less: Council Set-Asides.....	($31,172,489)	($30,325,683)
Less: Capital Set-Aside.....	($1,813,044)	($1,790,000)
EQUALS: AVAILABLE TO BUREAUS-PROGRAMS.....	$258,889,170	$273,498,598
Bureaus CAL Requirement.....	$258,889,170	$262,844,582
EST. GAP, DIFFERENCE.....	**($0)**	**$10,654,015**
AVAILABLE ON-GOING FY2005-06.....		**($16,368,006)**
New One-Time...FY2005-06.....		**$27,022,022**

The out-years of the financial forecast (see table in page 7) clearly show that large deficits occur starting FY2007-08 as increased healthcare costs start to increase forecast costs relative to available fund revenues:

- Resources estimates have been impacted by Council's "capping" of Water and BES utility license fees. The initial FY2005-06 impact is only $1.2 million but this number is expected to rise to about a $5.9 million revenue loss in the last year of this forecast.

- Expenditure estimates are $2.3 million higher in this forecast as a result of a a higher PERS rate for FY2005-06. Healthcare funding requirements increase from $3.2 million in FY2006-07 rising to an estimated $6 million in FY2009-10, the last year of the forecast.

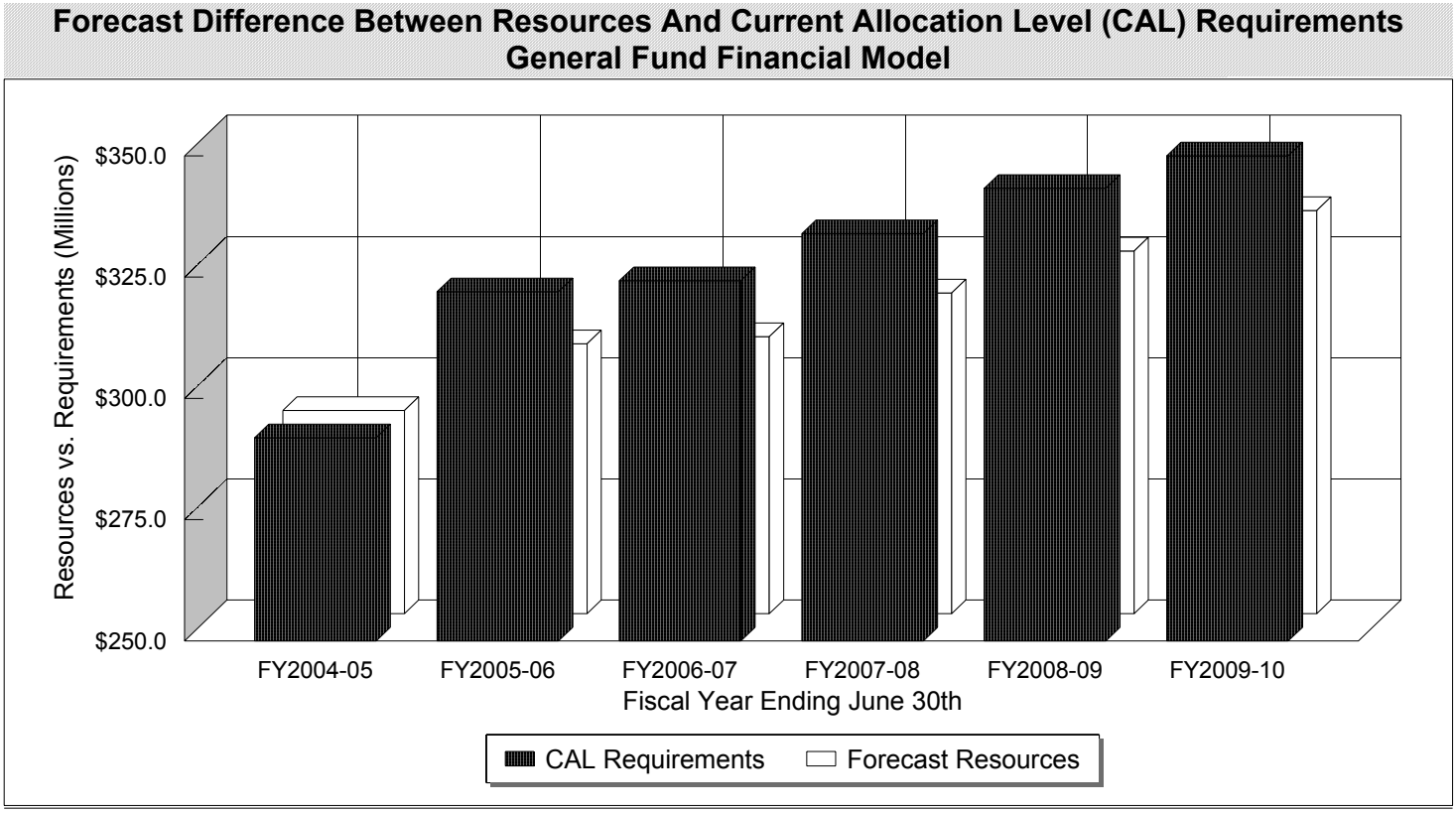

Figure 3-Financial Forecast Resources Compared To Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total $612.730 million for two years ending FY2006-07.
- Estimated requirements total $590.239 million over two years.
- The General Fund is not balanced in the out-years of the forecast. The near term excess resources simply represent a pool available for one-time resources.

	Resources & Requirements Summary Next Two Years			
	Budget	Current 2 Year Forecast		
	FY2004-05	FY2005-06	FY2006-07	Total
Item-Category ▼ Resources →	$291,874,703	$305,614,282	$307,116,648	***$612,730,930***
Less: Assumed Set-Asides				
TANS Interest Expense.....	$0	$0	$0	$0
Compensation Set-Aside.....	$9,313,203	$6,670,526	$6,621,348	$13,291,874
Other Set-Asides				
Contingency.....	$1,521,668	$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.....	$3,521,668	$3,400,000	$3,400,000	$6,800,000
Capital Set-Aside.....	$1,813,044	$1,790,000	$1,770,000	$3,560,000
PERS Debt Service.....	$4,177,232	$6,033,880	$7,707,143	$13,741,023
Other General Fund Debt Service.....	$2,140,873	$1,205,493	$913,693	$2,119,185
City Hall/Precincts-Debt Service.....	$1,612,673	$1,624,240	$2,420,700	$4,044,940
Street Light O&M Transfer.....	$4,991,039	$5,164,552	$5,354,015	$10,518,567
Transfer To General Reserve.....	$1,887,907	$0	$0	$0
ESA Set-Aside BES.....	$362,056	$372,918	$383,359	$756,277
1900 Building Offset.....	$609,000	$475,000	$0	$475,000
New Housing Debt Service.....	$0	$750,000	$750,000	$1,500,000
City Hall Maintenance Reserve.....	$294,310	$302,055	$302,055	$604,110
ESA Set-Aside Planning).....	$348,882	$359,349	$369,411	$728,759
Economic Development Fund.(*).....	$990,930	$0	$0	$0
City PFFA Contract Set-Aside	$0	$1,868,636	$1,920,999	$3,789,635
Healthcare Funding Option#2.....	$0	$0	$3,277,754	$3,277,754
Housing Trust Fund.....	$492,716	$507,498	$521,708	$1,029,206
PERS rate to 14.09%.....	$0	$1,159,580	$1,159,580	$2,319,161
BIT Transfer.....	$430,000	$431,957	$433,755	$865,712
Subtotal, Assumed Set-Asides.....	$32,985,533	$32,115,683	$37,305,519	$69,421,202
Bureau Requirements & One-Time.....	$258,889,170	$262,844,588	$257,973,651	$520,818,240
Total Requirements.....	$291,874,703	$294,960,267	$295,279,170	**$590,239,442**
Resources less Requirements				
Equals Excess(+)/CAL Gap(-).....	$0	**$10,654,015**	**$11,837,478**	
On-Going Program Reductions.....	$0	**($16,368,006)**	**$0**	**($16,368,006)**
Available One-Time.....	$0	**$27,022,022**	**$11,837,478**	**$38,859,500**

(*)FY2004-05 net of $340,000 carryover.

FY2005-06 Through FY2009-10 Financial Forecast Summary

The five-year financial forecast shows that bureau current allocation levels plus Council set-asides continue to grow much faster than revenues. The table below shows the "raw" forecast. In FY2005-06 there is a $10.6 million surplus that is assumed turned into one-time budgets. All of the out-years of the forecast show successively larger deficits that reach an estimated $19.3 million in the last year of the forecast. In the last year of the forecast revenues are $5.9 million lower than otherwise would have been the case (Water/BES utility license revenue cap at FY2004-05 levels) while costs are higher due to increased healthcare-$6 million, higher cost escalation-$2.3 million, and a higher PERS employer rate.

	Two-Year Budget Window		**Following Two-Year Budget**		**Out-Year**
Item	2006	2007	2008	2009	2010
Resources.....	$305,614,282	$307,386,762	$316,140,417	$324,748,564	$333,117,446
Requirements.....					
Bureau Requirements.	$262,765,082	$275,110,682	$286,375,327	$297,869,772	$309,761,619
One-Time Budgets.....	**$10,733,516**	$0	$0	$0	$0
Council Set-Asides.....	$32,115,683	$37,305,519	$39,035,464	$40,836,816	$42,651,299
GAP-Surplus(Deficit)..	***($0)***	***($5,029,439)***	***($9,270,374)***	***($13,958,025)***	***($19,295,472)***

Out-Year Detail Of 5-Year Financial Forecast

The financial forecast balances the General Fund in the out-years of the forecast with large CAL on-going budget reductions totaling $16.37 million now. This forecast, unlike the some previous forecasts, does not put one-time money into excess reserves and bring this money back out at the back end of the forecast in order to cut the out-year gap and minimize CAL reductions. There is now no way to "unwind" this kind of financial planning strategy given the slower revenue growth and large cost increases facing the General Fund in the out-years. Instead, the only prudent financial planning approach is to stabilize the fund at lower CAL levels now or possibly over the next two to three years.

	Forecast	**Two-Year Budget Window**		**Out-Years Of Forecast**	
Item	2006	2007	2008	2009	2010
Total Resources.....	$304,914,282	$306,501,338	$315,488,027	$324,297,770	$332,010,411
Transfer In From General Reserve.....	$700,000	$615,310	$642,260	$450,414	$1,107,021
Bureaus & Programs.....	$262,765,082	$275,110,682	$286,375,327	$297,869,772	$309,761,619
Capital Set-Aside.....	$1,790,000	$1,770,000	$1,840,000	$1,710,000	$1,777,500
Est. CAL Reduction.....	***($16,368,006)***	***($17,137,030)***	***($17,838,721)***	***($18,554,726)***	***($19,295,486)***
Planned One-Time.....	*$79,500*	*$0*	*$0*	*$0*	$0
New One-Time.....	*$27,022,022*	$11,837,478	$8,558,218	$4,596,322	$0
Pension Bonds P&I.....	***$6,033,880***	***$7,707,143***	***$8,951,105***	***$9,303,170***	***$9,669,762***
Council Set-Asides.....	$24,291,803	$27,828,376	$28,244,359	$29,823,646	$31,204,037
Total Requirements	$305,614,282	$307,116,648	$316,130,288	$324,748,184	$333,117,432
Difference	***($0)***	*($0)*	*($0)*	*($0)*	*$0*
Reserve Fund As A Percent Net Revenues	10.3%	10.4%	10.3%	10.3%	10.1%

Risks To The Financial Forecast

This forecast assumes that recovery from recession continues both nationally and locally. There are several uncertainties that could adversely affect this forecast:

- *A regional economy that seems to continue to have trouble gaining traction.*
- *The long term effect of the Shilo-Inn rule on property tax compression is not known.*
- *PERS legislative changes are winding their way through the Oregon Supreme Court.*
- *$50 a barrel oil may pitch the national economy back into recession if higher oil prices persist.*
- *The proposed sale of PGE to a Texas investors group may impact franchise fee revenues.*
- *Failure of voters to reauthorize the Parks local option levy would probably pressure costs.*

Two-Year Forecast Resources-By Budget Category Detail			
Category	*FY2004-05*	*FY2005-06*	*FY2006-07*
RESOURCES	***Budget***	***Forecast***	**2nd Year**
Property Taxes			
Current Year Taxes	$148,587,819	$154,146,979	$158,553,743
Prior Year Taxes	$3,780,042	$3,769,106	$3,687,550
Payment in Lieu of Taxes	$805,221	$728,458	$728,458
Total Property Taxes	*$153,173,082*	*$158,644,543*	*$162,969,751*
Other Taxes			
Lodging Tax	$10,811,022	$11,938,032	$12,364,904
Licenses & Permits			
Business Licenses	$39,274,397	$43,338,825	$44,612,281
Utility License-External	$40,828,684	$40,452,956	$40,387,629
State Sources(*)			
State Shared Revenue	$9,702,997	$10,005,931	$10,493,739
Local Government			
Local Shared Revenue	$2,446,069	$2,606,249	$2,740,841
Miscellaneous Revenues			
Refunds	$30,000	$30,000	$30,000
Interest on Investments	$755,533	$1,545,510	$1,676,772
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	$4,184,153	$4,184,153	$4,184,153
Sewer Operating	$12,809,321	$12,809,321	$12,809,321
Miscellaneous			
Parking Facility-Tax Offset	$214,316	$220,745	$227,367
Hyro-Fund Transfer	$300,000	$200,000	$200,000
Fleet Transfer	$50,000	$0	$0
Refuse Disposal	$55,000	$55,000	$55,000
HCD-Indirect	$243,835	$243,835	$243,835
Federal Grants-Indirect	$0	$0	$0
Transfer-General Reserve	$0	$700,000	$615,310
Other Transfers.....	$11,000	$0	$0
Subtotal-Transfers, Misc.	$874,151	$1,419,580	$1,341,512
Beginning Fund Balance			
Unencumbered	$14,965,294	$16,619,182	$11,485,745
TOTAL DISCRETIONARY	$291,874,703	$305,614,282	$307,116,648
Checksum Total-Page 2	$291,874,703	$305,614,282	$307,116,648
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
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Discussion of PERS Pension Obligation Bonds (POBS) Debt Service Schedule

In November of 1999, the City sold $300 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 is allocated to bureaus using a bureau's actual PERS contributions for the fiscal year in which the sale of the pension obligation bonds occurred.

			Annual POB Debt Service	
	Bureau PERS	Percentage	FY2005-06	FY2006-07
FUND	Liability	Allocation	**$15,329,841**	**$19,416,162**
General Fund Bureaus..	$112,995,285	37.55889%	$5,757,717	$7,292,494
Unused Line	$0	0.00000%	$0	$0
Unused Line	$0	0.00000%	$0	$0
Unused Line	$0	0.00000%	$0	
Unused Line	$0	0.00000%	$0	$0
Subtotal.....	**$112,995,285**	**37.55889%**	**$5,757,717**	**$7,292,494**
PDOT (net).....	$55,353,650	18.39919%	$2,820,566	$3,572,416
BOEC (net).....	$2,863,692	0.95187%	$145,921	$184,817
Buildings (OPDR)	$14,372,047	4.77717%	$732,333	$927,544
BES	$39,339,045	13.07604%	$2,004,536	$2,538,865
Hydroelectric	$301,519	0.10022%	$15,364	$19,459
WATER	$40,857,865	13.58088%	$2,081,928	$2,636,886
Golf Operating	$2,463,623	0.81889%	$125,535	$158,997
PIR	$474,262	0.15764%	$24,166	$30,608
Refuse Disposal	$765,029	0.25429%	$38,982	$49,373
Environ. Remediation	$17,662	0.00587%	$900	$1,140
Parks Bond Const.	$1,364,843	0.45366%	$69,546	$88,084
Parks Construction	$22,806	0.00758%	$1,162	$1,472
Facilities Services	$2,448,975	0.81402%	$124,788	$158,052
Fleet Operating	$5,754,908	1.91289%	$293,244	$371,410
Print & Distribution	$1,950,219	0.64824%	$99,374	$125,863
BIT	$4,415,663	1.46774%	$225,002	$284,978
Insurance & Claims	$1,074,630	0.35720%	$54,758	$69,355
Health Insurance	$454,732	0.15115%	$23,171	$29,348
LID	$1,025,120	0.34074%	$52,235	$66,159
FPD&R	$613,557	0.20394%	$31,264	$39,598
Unused Line	$0	0.00000%	$0	$0
Comm. Services	$2,424,160	0.80577%	$123,524	$156,451
Arena/Facilities	$225,242	0.07487%	$11,477	$14,537
Worker Comp. Oper.	$1,005,184	0.33412%	$51,220	$64,873
PDC	$8,264,628	2.74711%	$421,127	$533,383
TOTAL All Funds.....	$300,848,346	100.00000%	$15,329,841	$19,416,162

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

	2008	2009	2010
Out-Year Debt Service.....	$22,550,002	$23,436,939	$24,360,474

the debt issued is variable interest rate debt. Actual annual debt service numbers will fluctuate 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 subsequent forecasts.

ALTERNATIVE FORECAST SCENARIO-STAGING REDUCTIONS

Staging On-Going Reductions Over The Next 18 to 24 Months

Council is considering staging budget reductions over this budget process and the following two-year budget process for FY2006-07 through FY2007-08. There are three principal and compelling reasons for taking this approach:

- Staging reductions over the next two-years will ensure that Council does not "over cut." Making all of the reductions now, may involve over-cutting should subsequent financial forecasts show improvements in either the rate of cost increase or an improved resource picture.

- Council is embarking on a full blown strategic planning process. Staging the re-reductions will allow Council to make reductions that more readily reflect actual community priorities as generated by this long range planning process.

- Although the General Fund has steadily reduced bureau budgets over the last several years, the magnitude of the overall reduction that is presently estimated as needed to balance the General Fund is very large. Staging the reductions will give bureau managers more time to effect organizational changes, program changes, and efficiencies that reduce costs. This should increase the quality of the reductions as well as mitigate potential impacts on service levels.

The table below shows one of many possible staging scenarios. In this scenario $8 million on-going CAL reductions occur during the current budget process for FY2005-06. These reductions are followed by $4.28 million of reductions in FY2006-07 and FY2007-08. The staged reductions total about $16.56 million

	Forecast	Two-Year Budget Window		Out-Years Of Forecast	
Item	2006	2007	2008	2009	2010
Total Resources.....	$304,914,282	$306,639,432	$315,493,206	$324,297,964	$332,010,418
Transfer In From General Reserve.....	$700,000	$615,310	$642,260	$450,414	$1,107,097
Bureaus & Programs.....	$262,765,082	$262,253,726	$268,536,683	$279,315,127	$290,466,216
Capital Set-Aside.....	$1,790,000	$1,770,000	$1,840,000	$1,710,000	$1,777,500
Reduction '05-'06.....	***($8,000,000)***				
Reductions '07-'08.....		***($4,280,000)***	***($4,280,000)***		
Planned One-Time.....	*$79,500*	$0	*$0*	*$0*	$0
New One-Time.....	*$18,654,016*	$7,695,494	$8,563,319	$4,596,435	$0
Pension Bonds P&I.....	***$6,033,880***	$7,707,143	***$8,951,105***	***$9,303,170***	***$9,669,762***
Council Set-Asides.....	$24,291,803	$27,828,376	$28,244,359	$29,823,646	$31,204,037
Total Requirements....	$305,614,282	$307,254,739	$316,135,466	$324,748,379	$333,117,515
Difference.....	*($0)*	$3	*$0*	*($0)*	*$0*
Reserve Fund As A Percent Net Revenues	10.3%	10.4%	10.3%	10.3%	10.1%

Staging Budget Reductions

over three years (before inflation). The scenario outlined above is illustrative, any one of a number of scenarios is possible.