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

As Of... 13-Mar-2006 Previous Forecast..... 06-Dec-2005

March Financial Forecast Shows Small Gap Year 5 More One-Time Despite 95/5 Healthcare Cost Increase

Item	December Forecast	March Forecast	Difference vs. December
Council Discretionary Available FY2006-07.....	*$323,997,674*	*$327,800,992*	*$3,803,317*
Requirements:			
Capital Set-Aside.....	*$1,915,000*	*$1,915,000*	*$0*
Council Set-Asides.....	*$35,526,037*	*$28,837,308*	*($6,688,729)*
One-Time Budgets.....	*$171,667*	*$260,639*	*$88,972*
Bureaus & Programs.....	*$276,435,559*	*$276,364,168*	***($71,391)***
CAL Requirements..	*$314,048,263*	*$307,377,115*	*($6,671,147)*
Resources Less CAL	*$9,949,412*	*$20,423,877*	*$10,474,465*
Programs FY06-07.....	*($2,705,000)*	*($2,500,000)*	*$205,000*
Available One-Time...	***$12,654,412***	*$22,923,874*	*$10,269,462*
Programs FY07-08.....	***($2,705,000)***	*$0*	***$2,705,000***
Available One-Time.....	***$9,898,893***	***$11,192,673***	***$1,293,780***

Shortfalls Almost Eliminated, Available One-Time Increases

- *The March financial forecast shows continued improvement in forecast revenues as both the state and regional economies rebound from the last recession. Resources in this forecast for FY2006-07, are up 1.2% ($3.8 milion). Revenues are up about 1% ($3.1 million). Increases are concentrated in property taxes (lower compression assumption), transient lodging taxes , business license revenue estimates. Resource increases combined with a lower than forecast CPI-W increase have offset increased costs associated with a five-year "95/5" healthcare cost assumption.*
- *This forecast shows that CAL reductions of $2.5 million during the FY2006-07 budget cycle are likely to balance the General Fund for the life of the five-year forecast. No CAL reductions appear to be needed for the FY2007-08 budget cycle. This requires that subsequent revenue and financial forecasts are "confirmed" beginning with next fall's cycle. This in turn means that both the regional and state economies have to remain on their current growth paths.*

Current Outlook

Regional And State Economies Continue To Expand

Both the state and region grew briskly throughout calendar 2005 and on into the first quarter of calendar 2006. The U.S. economy, although slowed by spiking energy prices and two devastating hurricanes, continues on a growth path that is creating jobs at a pretty fair clip and lowering the unemployment rate Both Oregon and the regional economy appear to be surpassing the previous cycle's employment peaks, entering an expansion phase. Cyclical revenues continue to follow suit.

Health Benefits Costs

This five-year financial forecast is predicated on a revised healthcare cost sharing assumption. In this forecast the City's share of healthcare premium's is set at 95% for the life of the forecast. The December forecast set a "95/5" split only for FY2006-07. This change adds an average of about $3.4 million in costs per year to the out-years of the forecast. The bulk of this increase is offset by better revenue growth.

Some Key Forecast Assumptions

M50 Assess. Value $1000....	$38,175,070	***State Cigarette & Liquor Tax Revenues To City.....***	*$10,199,408*
FY2006-07 M50 Tax Base....	$174,727,297		
M50 Compression Loss.....	*($5,591,274)*	***CPI-W Increase (2nd Half '04 To 2nd Half '05, for COLAs).....***	***2.8%***
Est. Tax Base Imposed.....	$169,136,024		
Delinquency/Discount(%)....	*-5.5%*	***Measure 50 FPD&R Levy.....***	*$89,123,943*
Delinquency/Discount ($)....	*($9,175,186)*	***Beginning General Fund FY2006-07 Balance.....***	*$19,180,206*
FY07 Tax Base Revenues....	$159,960,838		
County M50 Levy.....	$199,662,829	***Estimated Urban Renewal Divide-The-Taxes (11 Districts)..***	*$61,999,123*
Library-Local Option.....	$34,706,782		
Total-County Levies.....	*$234,369,611*	***Current Forecast: FY2006-07 to FY2010-11***	

Forecast FY2006-07 resources are up net $3.8 million compared to the December's forecast that is used to kick-off Council's budget process. Revenues are up 1.1% ($3.1 million). This is due in large part to a $1.7 million increase in the Business License revenue estimate. Transient lodging taxes are up about $668,670. Both of these increases result from a regional economy that continues to expand and has entered an expansion phase. Transient lodging tax revenues are now well above their pre-911 or recession peak revenue level of about $11.1 million.

Interest income is up $127,500 on rising short term interest rates. This trend is expected to continue on into calendar 2006. State, cigarette and liquor tax revenues are down a little compared to December. The ending balance estimate is as of a period 8 (ended February 8th) OUTLOOK and reflects "Winter BuMP" budget adjustments.

Revenue Forecast RECAP-First Year Budget, FY2006-07			
General Fund Revenue Category	December Forecast	Spring Forecast	Difference
Property Taxes.....	**$163,948,095**	**$164,437,520**	$489,426
Transient Lodgings.....	**$12,833,539**	**$13,502,206**	$668,666
Business Licenses.....	**$51,104,490**	**$52,830,754**	$1,726,264
Utility License/Franchise.....	**$59,162,137**	**$59,162,137**	$0
State Revenues.....	**$10,323,038**	**$10,199,408**	($123,630)
Interest Income.....	**$2,598,141**	**$2,784,196**	$186,055
Transfers IN.....	**$756,252**	**$756,252**	$0
Miscellaneous.....	**$4,820,836**	**$4,948,313**	$127,478
Revenue Forecast.....	**$305,546,528**	**$308,620,786**	$3,074,258
Beginning FUND Balance....	**$18,451,146**	**$19,180,206**	$729,059
Forecast Resources.....	**$323,997,674**	**$327,800,992**	$3,803,317
% Change In Revenues.....		**1.01%**	
% Change In Resources.....		**1.17%**	

Utility license and franchise fees are unchanged in this forecast. The only new data is Pacific's recent filing at the Oregon PUC for a 12% to 13% revenue and rate increase. The outcome of this filing will probably not be known until sometime next fiscal year.

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of $174.7 million. This is not materially different from last December. The forecast calls for 2.95% assessed value growth on taxable assessed values. About 0.25% of this growth is the result of expected new construction. Assessed value growth under Measure 50 continues to fall below the "advertised" 3 percent minimum. Taxable assessed value growth has averaged about 2.4% over the past four years. This puts property tax revenue growth well below the region's average inflation rate and lowers the General Fund's overall potential revenue growth rate making it more difficult to fund current service levels.

Revenue Forecast ASSUMPTIONS	
Revenue Category	FY2006-07
CITY Property Tax Levies.....	
Measure 50 Taxbase Levy.....	$174,727,297
Local Option & UR Collections	$107,241,667
Measure 50 FPD&R Levy.....	$89,123,943
City Local Government Total....	**$371,092,907**
MULTNOMAH County Levies	
Measure 50 Levy Authority.....	$199,662,829
Local Option Levy (Library).....	$34,706,782
Mult. County Levy Total.....	**$234,369,611**
M50 Assessed Value Growth....	2.95%
Percent of FY2004-05 Levies	
Not Received First Year.....	-5.45%
Measure 50 Compression.....	**-3.20%**
Est. Portland Population.....	561,307
GDP Growth (Economy.Com)....	**0.9%**
Revenue Sharing (State).....	$10,199,408

The FPD&R levy is now expected at $89.1 million. This is down $2.7 million compared to December and only about 2.9% above the FY2005-06 certified levy. The lower compression assumption used in this forecast of 3.2% reflects the expected impact of an FPD&R levy increase that is relatively small and well below historical norms.

THE BOTTOM LINE: The forecast shows that General Fund resources are improved over December. Increased resources along with a lower CPI-W/Cola increase that is a full 1 percentage point lower than assumed last December combine to improve the General Fund's financial outlook in this forecast. This forecast shows only a relatively small deficit in the last year of the forecast. OMF believes a $2.5 million CAL reduction now balances the General Fund for the life of this forecast.

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

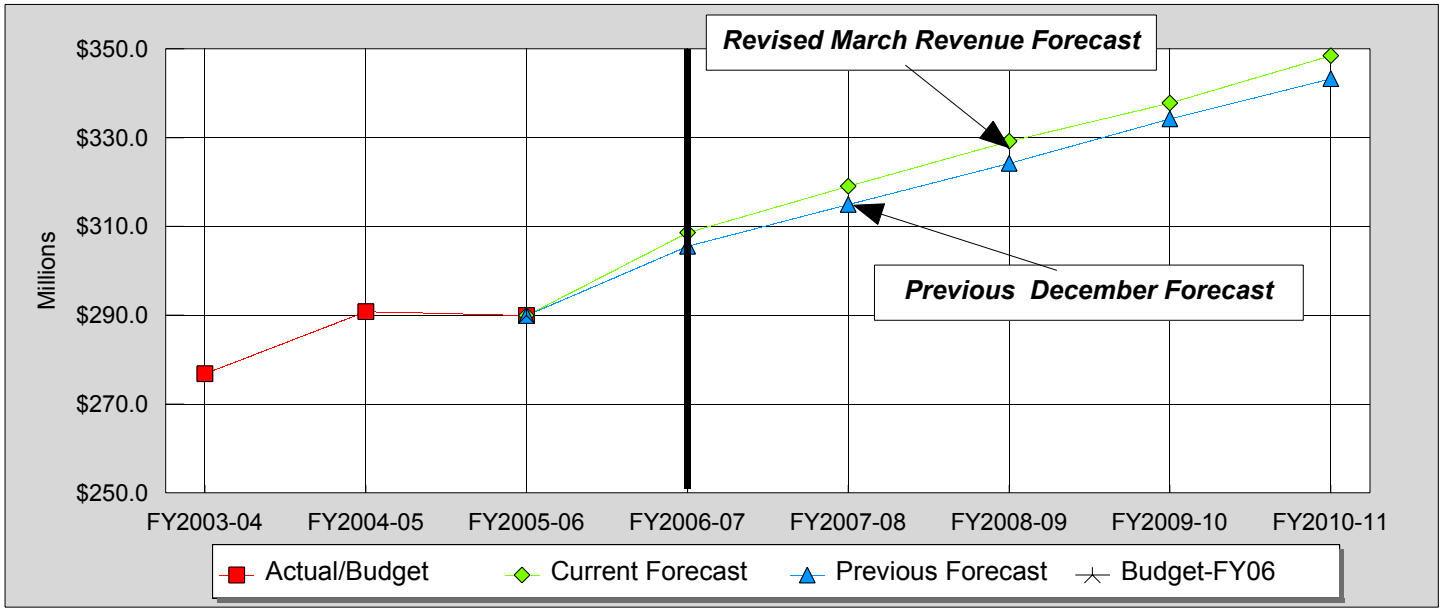

Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is a national economy that continues to expand at moderate rates, as well as a growing regional economy. The metro area's economy is finally surpassing previous peak employment levels and appears poised to enter the expansion phase of this cycle for the coming months.

Figure 1 summarizes the 5-year revenue forecast off of the FY2005-06 base. Revenue growth remains critically dependent on assessed value growth. Revenue growth is forecast to average 3.4 percent over the next five years reflecting improved regional economic performance over the next couple of years. This means that cyclical revenues, transient lodging taxes and business license revenues, will grow at higher rates consistent with an expanding economy.

Adopted Budget FY2006-07 General Fund current allocation level (CAL) costs are $276.4 million, versus the initial forecast's $276.3 million in December. CAL targets are essentially unchanged compared to December. CAL targets incorporate about $5.2 million of expected FY2006-07 "95/5" health benefits cost increases directly into bureau CAL targets. Similarly, about $1.2 million of PERS cost increases are included in bureau targets. Increased labor contract costs for both for Police and Fire added another $4.5 million to CAL targets last December with about $2.2 million of this increase resulting from a "true-up" of actual experience with Police (sworn personnel) "95/5" health benefits cost sharing. Actual experience for this labor unit has come in well above initial cost estimates. Otherwise, the forecast is based on an expected 2.8 percent COLA that reflects published Portland CPI-W data.

Estimated Current Allocation Level Forecast Assumptions	FY2006-07
FY2006-07 CAL Targets	
December CAL Targets	$276,435,559
Spring CAL Forecast	$276,364,168
Difference In CAL Forecasts	($71,391)
General Inflation Rates	
GDP Price Deflator	2.8%
CPI-W% (Dec.'04-Dec.'05)	**2.8%**
Benefits CAP Escalation.(*)	**5.8%**
Producer Price Index	2.3%
CPI-Energy	2.5%
External M&S	
General-Overall	2.7%
Energy-Electricity	4.0%
Energy-Gas	18.0%
Sewer	8.9%
Water	4.0%
Utilities-Overall	8.3%
Internal M&S	
General-Overall	2.7%
Risk/Workers' Comp	3.2%
Wage & Salary % Increase	
Public Safety	**2.8%**
All Other	**2.8%**

(*) Not applicable to sworn Police personnel.

COUNCIL set-asides, FY2006-07, as assumed for this financial forecast are shown in the table at the right:

- The compensation set-aside at $4.6 million down $1.6 million. It includes only wage/salary cost increases Estimated FY2006-07 95/5 health benefits cost increases have been moved into bureau CAL targets. The "comp" set-aside has been re-estimated using the actual December to December CPI-W (Portland) 2.8 percent increase.

- The capital set-aside (net of related debt service requirements) remains at $1.9 million net of $1 million included in Fire's target. Capital related "Other Debt Service" totals about $1.67 million for FY2006-07 and now includes $757,000 of debt service on new affordable housing projects.

- Assumed set-asides no longer include a $5 million transfer to the General Reserve. This is no longer needed to keep the reserve level at 10%; interest earnings alone are expected to keep the fund at required levels.

Forecast Council Set-Asides		
	Forecast FY2006-07	
Set-Aside Item	**December**	***Current***
Compensation Set-Aside.....	***$6,129,031***	***$4,559,943***
ESA(*) Set-Aside/Planning.....	$373,004	$369,342
Street Light O&M.....	$4,876,282	$4,867,727
General Fund Contingency.....	$3,200,000	$3,200,000
Unforeseen & Inventory.....	$2,000,000	$2,000,000
Subtotal-Contingency	$5,200,000	$5,200,000
Capital Set-Aside.....	$1,915,000	$1,915,000
Unused Line.....	$0	$0
ESA Set-Aside/BES.....	$345,488	$341,900
Voter Owned Elections.....	$447,526	$447,526
City Hall Debt Service.....	$2,420,700	$2,420,700
POBS Debt Service.....	**$7,307,031**	**$7,307,031**
Other Debt Service.....	$1,665,000	$1,665,000
Healthcare to "95/5"(*).....	$0	$0
City Hall Maintenance Reserve.	$294,310	$294,310
Housing Trust Fund.....	$495,622	$495,622
Park-CAL/on going Maint.....	$453,070	$448,622
Unused Line.....	$0	$0
Transfer General Reserve.....	$5,000,000	$0
Unused Line.....	$0	***$0***
Unused Line.....	$0	$0
Miscellaneous Transfers.....	$518,973	$419,586
Total Budgeted/Council Estimated Council Set-Asides	**$37,441,037**	**$30,752,308**
Difference versus Previous Forecast.....		**($6,688,729)**

(*) Moved into bureau CAL targets.

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

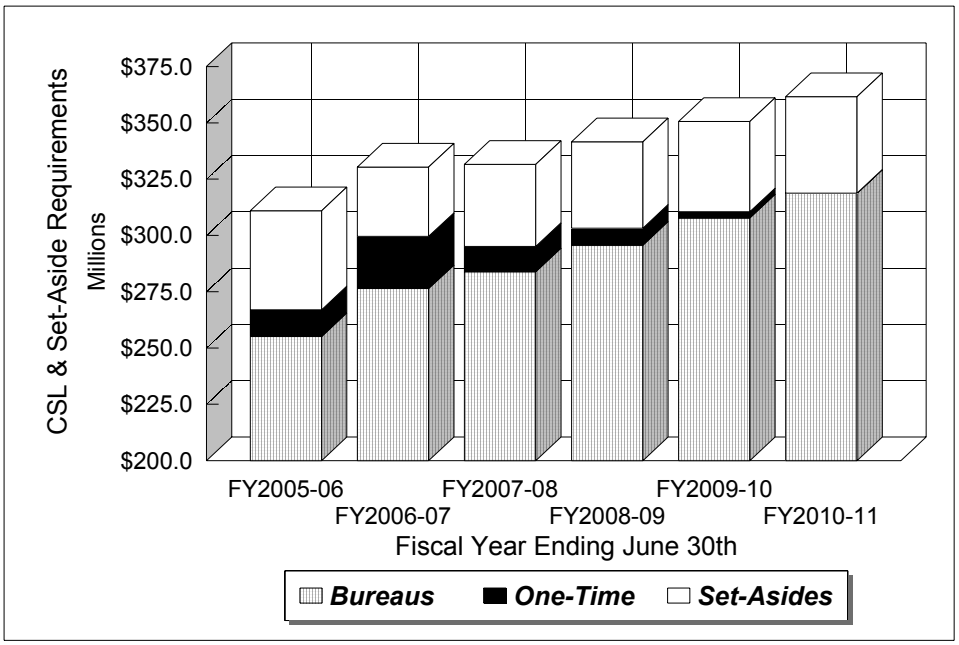

Figure 2-Current Service Level (CAL) Requirements

Other set-asides in Council's current financial plan are Pension Obligation Bond debt service costs of about $7.31 million as estimated by Debt Management.

This financial forecast includes a contingency totaling $3.2 million. This amount is composed of a general contingency of $1.4 million and $1.8 million previously retained out of Police's on going CAL target in last year's budget process.

Set-asides are down net by about $6.7 million in this forecast. This is a result of dropping a $5 million transfer to reserves as well as a $1.6 million "comp." set-aside reduction due to lower CPI-W growth of only 2.8%.

The table at the right combines the FY2006-07 resource forecast with current CAL estimates for FY2006-07. Resources total an estimated $327.8 million. Deducting set-asides of $30.7 million leaves $297.1 million against bureau CAL targets of $276.6 million. Deficits in an out-year of the forecast require that CAL levels be reduced by $2.5 million. One-time resources are now estimated at $22.9 million. The good news is that $2.5 million of CAL reductions for this budget cycle will most likely balance the General Fund for the life of the five-year forecast. No CAL reductions are anticipated for the FY2007-08 budget.

Sources & Uses of Funds: Financial Forecast FY2006-07		
	Budget	FY2006-07
Item	FY2005-06	***Forecast***
Forecast FUND Revenues.....	$289,930,293	$308,620,786
Beginning FUND Balance.....	$21,005,245	$19,180,206
Total FUND RESOURCES	*$310,935,538*	*$327,800,992*
Less: Council Set-Asides.....	($42,171,887)	($28,837,308)
Less: Capital Set-Aside.....	($1,789,327)	($1,915,000)
EQUALS: AVAILABLE TO BUREAUS-PROGRAMS.....	$266,974,329	$297,048,684
Bureaus CAL Requirement.....	$266,974,329	$276,624,807
EST. GAP, DIFFERENCE.....	**$0**	**$20,423,877**
AVAILABLE On-Going FY2006-07.....		**($2,500,000)**
New One-Time...FY2006-07.....		**$22,923,874**

The out-years of the financial forecast continue to improve so that large out-year deficits are gone, and replaced with a relatively small (less than 1 percent) deficit forecast for only FY2010-11. Increased resources and lower wage and salary costs (lower CPI-W) have combined to improve the financial outlook

- The previous December forecast showed that balancing the General Fund required $2.7 million in CAL reductions in each of the next two budget cycles. The current forecast shows that most of the out-year gaps with only an estimated year five gap of $2.8 million (see page 7).

- OMF believes that reducing CAL budgets $2.5 million as part of the FY2006-07 budget process balances the General Fund for the life of this five-year forecast. No CAL reductions are anticipated for the FY2007-08 budget cycle.

Forecast Difference Between Resources And Current Allocation Level (CAL) Requirements
General Fund Financial Model

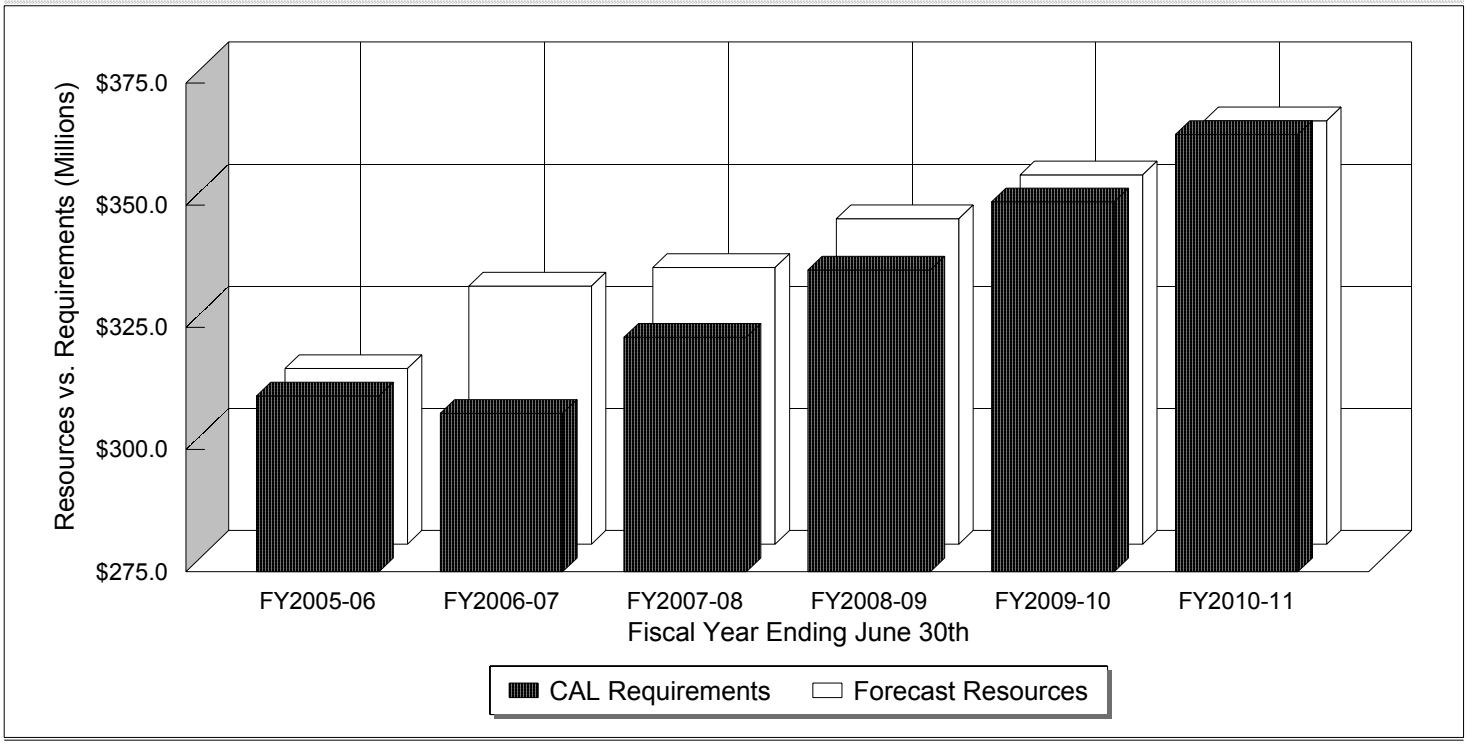

Figure 3-Financial Forecast Resources Compared To Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total $659.388 million for two-years ending FY2007-08.
- Requirements, after reductions are $627.889 million over two years with $34.1 million available one-time for the two year period.
- The General Fund is balanced for the life of the forecast with on-going CAL cuts of $2.5 million in this budget cycle.

	Resources & Requirements Summary Next Two Years			
	Budget	Current 2 Year Forecast		
	FY2005-06	FY2006-07	FY2007-08	Total
Item-Category ▼ Resources →	$310,935,538	$327,800,992	$331,587,714	***$659,388,706***
Less: Assumed Set-Asides				
TANS Interest Expense.....	$0	$0	$0	$0
Compensation Set-Aside.....	$6,670,526	$4,559,943	$7,933,628	$12,493,571
Other Set-Asides				
Contingency.....	$3,759,326	$3,200,000	$3,200,000	$6,400,000
Unforeseen Reimbursable.....	$2,000,000	$2,000,000	$2,000,000	$4,000,000
Subtotal-Contingency.....	$5,759,326	$5,200,000	$5,200,000	$10,400,000
Capital Set-Aside.....	$1,789,327	$1,915,000	$1,915,000	$3,830,000
PERS Debt Service.....	$6,033,880	$7,307,031	$8,486,412	$15,793,443
Other General Fund Debt Service.....	$1,962,949	$1,665,000	$1,664,625	$3,329,625
City Hall/Precincts-Debt Service.....	$1,624,240	$2,420,700	$2,419,250	$4,839,950
Street Light O&M Transfer.....	$4,664,552	$4,867,727	$5,094,531	$9,962,257
Transfer To General Reserve.....	$5,568,149	$0	$0	$0
ESA Set-Aside (BES).....	$352,056	$341,900	$351,516	$693,416
1900 Building Offset.....	$475,000	$0	$0	$0
PERS Increase.....	$1,159,580	$0	$0	$0
City Hall Maintenance Reserve.....	$294,310	$294,310	$294,310	$588,620
ESA Set-Aside (Planning).....	$359,349	$369,342	$379,729	$749,071
Voter Elections.....	$447,526	$447,526	$447,526	$895,052
City PFFA Contract Set-Aside	$1,868,638	$0	$0	$0
Healthcare Funding Option#2.....	$0	$0	$929,765	$929,765
Housing Trust Fund.....	$2,482,122	$495,622	$495,683	$991,305
Parks On-Going Maintenance.....	$436,484	$448,622	$461,239	$909,861
Public Safety Fund.....	$17,500	$0	$0	$0
Parks One-Time Maintenance, Other.	$1,478,743	$0	$0	$0
BIT & Miscellaneous Transfers.....	$516,957	$419,582	$431,387	$850,969
Subtotal, Assumed Set-Asides.....	$43,961,214	$30,752,304	$36,504,600	$67,256,904
Bureau Requirements & One-Time.....	$266,974,325	$276,624,816	$286,595,441	$563,220,256
Total Requirements.....	$310,935,538	$307,377,115	$323,100,041	**$630,477,161**
Resources less Requirements				
Equals Excess(+)/CAL Gap(-).....	$0	**$20,423,877**	**$8,487,673**	
on going Program Reductions.....	$0	**($2,500,000)**	**$0**	**($2,500,000)**
Available One-Time.....	$0	**$22,923,874**	**$11,192,673**	**$34,116,547**

FY2006-07 Through FY2010-11 Financial Forecast Summary

The five-year financial forecast shows that the General Fund faces a small resources-requirements gap of about $2.8 million in the last year of the forecast, FY2010-11. Resources are sufficient to fund existing service levels possibly through to FY2009-10. In FY2009-10 a small gap is currently estimated at $76,418. This works out to minuscule percentage of FY2009-10 resources and/or bureau requirements. The deficit in the fifth year of this forecast is estimated at only $2.8 million which is less than 1 percent of FY2010-11 resources and well within the expected accuracy of out-year forecasts. A growing economy and somewhat lower than expected inflation have combined to significantly reduce the gap.

	Forecast	**Financial Forecast Out-Years**			
Item	2007	2008	2009	2010	2011
Resources.....	$327,800,992	$331,628,074	$341,609,169	$350,601,170	$361,625,121
Requirements.....					
Bureau Requirements.	$276,364,171	$286,475,518	$298,360,947	$310,563,378	$321,616,735
One-Time Budgets.....	**$260,639**	**$0**	**$0**	$0	$0
Council Set-Asides.....	$30,752,308	$36,504,600	$38,375,015	$40,114,210	$42,845,471
GAP-Surplus(Deficit)..	***$20,423,874***	***$8,647,956***	***$4,873,207***	***($76,418)***	***($2,837,084)***

Out-Year Detail Of Recommended 5-Year Financial Plan

The financial forecast shows that the General Fund can be balanced within the current budget cycle with CAL reductions of $2.5 million in FY2006-07. This is the current estimate, prior to completion of Council's FY2006-07 budget process. OMF recommends that Council reduce FY2006-07 bureau discretionary budgets by $2.5 million. This balances the General Fund for the life of the forecast. Resource estimates may show further improvement next fall. In addition, Council is embarking on a full blown strategic planning process and Charter review. CAL reductions for the FY2006-07 budget cycle will facilitate a look at community priorities that come out of Council's strategic planning process.

	Forecast	**Financial Forecast Out-Years**			
Item	2007	2008	2009	2010	2011
Total Resources.....	$327,800,992	$330,004,489	$340,024,431	$350,601,113	$359,989,158
Transfer In From General Reserve.....	$0	$1,583,225	$1,583,225	$0	$1,635,961
Bureaus & Programs.....	$276,364,171	$283,890,441	$295,677,824	$307,782,333	$318,700,034
Capital Set-Aside.....	$1,915,000	$1,915,000	$1,915,000	$1,915,000	$1,915,000
Est. CAL Reduction.....	***($2,500,000)***	***$0***	***$0***	***$0***	***$0***
Planned One-Time.....	*$260,639*	*$0*	*$0*	*$0*	$0
New One-Time.....	*$22,923,874*	$11,192,673	$7,554,727	$2,704,569	$79,615
Pension Bonds P&I.....	***$7,307,031***	***$8,486,412***	***$8,820,200***	***$9,167,761***	***$9,514,697***
Council Set-Asides.....	$21,530,277	$26,103,188	$27,639,815	$29,031,450	$31,415,774
Total Requirements	$327,800,992	$331,587,714	$341,607,566	$350,601,113	$361,625,119
Difference	***$0***	*($0)*	*$90*	*$0*	*$0*
Reserve Fund As A Percent Net Revenues	10.5%	10.3%	10.1%	10.3%	10.2%

Risks To The Financial Forecast

This forecast assumes continued national economic expansion as well as continued local recovery. There are several uncertainties that could adversely affect this forecast:

- *The long term effect of the Shilo-Inn rule on property tax compression is not known.*
- *Hurricanes Katrina and Rita and the related problem of steep energy cost increases could easily pitch the national economy back into recession if higher oil prices persist.*
- *Failure of voters to reauthorize the Parks local option levy would probably pressure Council to "backfill" Parks' revenues loss, upsetting the forecast beginning FY2008-09.*
- *Geopolitical uncertainties and problems could easily start the next recession.*

Two-Year Forecast Resources-By Budget Category Detail			
Category	*FY2005-06*	*FY2006-07*	*FY2007-08*
RESOURCES	***Budget***	***Forecast***	**Forecast**
Property Taxes			
Current Year Taxes	$154,181,404	$159,918,110	$164,270,539
Prior Year Taxes	$3,769,106	$3,737,990	$3,478,541
Payment in Lieu of Taxes	$728,458	$781,420	$787,455
Total Property Taxes	*$158,678,968*	*$164,437,520*	*$168,536,535*
Other Taxes			
Lodging Tax	$12,092,518	$13,502,206	$13,872,627
Licenses & Permits			
Business Licenses	$44,418,253	$52,830,754	$55,818,050
Utility License-External	$40,768,247	$42,168,663	$43,356,900
State Sources(*)			
State Shared Revenue	$10,075,895	$10,199,408	$10,419,570
Local Government			
Local Shared Revenue	$2,606,249	$2,868,313	$3,016,433
Miscellaneous Revenues			
Refunds	$30,000	$30,000	$30,000
Interest on Investments	$1,545,510	$2,784,196	$2,623,055
Other Misc. Revenues			
Other Misc. Revenues	$50,000	$50,000	$20,000
Unforeseen Reimbursable	$2,000,000	$2,000,000	$2,000,000
Transfers, Other Funds			
Utility License-Internal			
Water Operating	$4,035,030	$4,184,153	$4,184,153
Sewer Operating	$12,809,321	$12,809,321	$12,809,321
Miscellaneous			
Parking Facility-Tax Offset	$220,745	$227,367	$234,188
Hyro-Fund Transfer	$200,000	$200,000	$200,000
Fleet Transfer	$68,000	$0	$0
Refuse Disposal	$85,000	$85,000	$85,000
HCD-Indirect	$235,081	$243,885	$243,835
Federal Grants-Indirect	$0	$0	$0
Transfer-General Reserve	$0	$0	$1,583,225
Other Transfers.....	$11,477	$0	$0
Subtotal-Transfers, Misc.	$820,303	$756,252	$2,346,248
Beginning Fund Balance (Unencumbered)	$21,005,245	$19,180,206	$12,554,823
TOTAL DISCRETIONARY	$310,935,538	$327,800,992	$331,587,714
Checksum Total-Page 2	$310,935,538	$327,800,992	$331,587,714
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 budget documents. The italicized categories match 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.

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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	FY2006-07	FY2007-08
FUND	Liability	Allocation	**$19,416,162**	**$22,550,002**
General Fund Bureaus..	$113,220,532	37.634%	$7,307,031	$8,486,412
Unused Line	$0	0.000%	$0	$0
Unused Line	$0	0.000%	$0	$0
Unused Line	$0	0.000%	$0	$0
OMF Water Billing	$5,194,441	1.727%	$335,239	$389,348
Subtotal.....	**$118,414,972**	**39.360%**	**$7,642,270**	**$8,875,760**
PDOT (net).....	$55,353,650	18.399%	$3,572,416	$4,149,017
BOEC (net).....	$2,863,691	0.952%	$184,817	$214,647
Buildings (OPDR)	$14,372,051	4.777%	$927,544	$1,077,253
BES	$39,339,048	13.076%	$2,538,865	$2,948,647
Hydroelectric	$301,512	0.100%	$19,459	$22,600
WATER	$35,663,418	11.854%	$2,301,647	$2,673,142
Golf Operating	$2,463,617	0.819%	$158,997	$184,660
PIR	$474,263	0.158%	$30,608	$35,548
Refuse Disposal	$765,022	0.254%	$49,373	$57,343
Environ. Remediation	$17,664	0.006%	$1,140	$1,324
Parks Bond Const.	$1,364,839	0.454%	$88,084	$102,301
Parks Construction	$22,808	0.008%	$1,472	$1,709
Facilities Services	$2,448,974	0.814%	$158,052	$183,562
Fleet Operating	$5,754,901	1.913%	$371,410	$431,358
Print & Distribution	$1,950,214	0.648%	$125,863	$146,178
BIT	$4,415,659	1.468%	$284,978	$330,975
Insurance & Claims	$1,074,638	0.357%	$69,355	$80,549
Health Insurance	$454,740	0.151%	$29,348	$34,084
LID	$1,025,116	0.341%	$66,159	$76,838
FPD&R	$613,561	0.204%	$39,598	$45,989
Unused Line	$0	0.000%	$0	$0
Comm. Services	$2,424,167	0.806%	$156,451	$181,702
Arena/Facilities	$0	0.000%	$0	$0
Worker Comp. Oper.	$1,005,190	0.334%	$64,873	$75,343
PDC	$8,264,630	2.747%	$533,383	$619,473
TOTAL All Funds.....	$300,848,346	100.00000%	$19,416,162	$22,550,002

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

	2009	2010	2011
Out-Year Debt Service.....	$23,436,939	$24,360,474	$25,424,751

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.