Office of Management & Finance

December Financial Forecast



02-Jun-2006

Previous Forecast.....



Dece	mber Finan	cial Forecast	Shows Both Or	ngoing and
One-Tii	ne Availabl	e to Council's	FY2007-08 Bud	dget Process

As of....

07-Dec-2006

One Time Available to Council 31 12001 to Budget 1 loce						
	Last June's	Current Fall	Difference			
Item	Forecast	Forecast	vs. June			
Council Discretionary						
Available FY2007-08	\$330,058,428	\$355,406,654	\$25,348,226			
Requirements:						
Capital Set-Aside	\$1,915,000	\$1,915,000	\$0			
Council Set-Asides	\$34,276,224	\$34,630,177	\$353,952			
One-Time Budgets	\$0	\$4,033,415	\$4,033,415			
Bureaus & Programs	\$285,613,467	\$286,347,616	\$734,149			
CAL Requirements	\$321,804,691	\$326,926,208	\$5,121,517			
Resources Less CAL	\$8,253,737	\$28,480,446	\$20,226,710			
Ongoing FY07-08	\$0	\$9,390,961	\$9,390,961			
Available One-Time	\$8,253,738	\$19,089,488	\$10,835,750			
Ongoing FY08-09	\$0	\$0	\$0			
Available One-Time	\$5,416,286	\$12,711,555	\$7,295,269			

Resources Exceed Requirements for First Time in Several Years

- Resources are up by about \$25.3 million in this forecast. Most of this increase is concentrated in a revised and much higher business license revenue estimate and a higher beginning balance estimate.
- Estimated requirements are up \$5.1 million. Bureau CAL program requirements are up net \$734,149 on target adjustments adopted in the "Fall BuMP." Set-asides are largely unchanged. The Fall BuMP also added \$3.6 million of one-time requirements not previously planned.
- Resources, for the first time in years, exceed estimated CAL requirements.

 OMF believes that \$9.4 million of this can be allocated to new ongoing requirements. The remaining \$19.1 million is available to the FY2007-08 budget process for one-time budgets. The steep forecast increase in health benefits costs, if true, is likely to be unsustainable in the long run and will continue to generate large one-time resource availability.

Regional, State Economies Continue To Expand

Both the state and region grew briskly throughout calendar 2005 and into 2006. The US economy grew slower; GDR growth was 2.2% in the third quarter of calendar 2006. Only a small minority of economic observers believe higher energy prices and a declining housing market will tip the economy into recession.

Fall BuMP Increases Ongoing Requirements \$1.27 Million

<u>Bureau</u>	<u>Amount</u>
Fire	\$277,216
Gov. Relations	\$299,850
Revenue Bur	\$240,000
Spec. Approps	\$452,000
TOTAL	\$1,269,066

Health Benefits Costs

This five-year financial forecast assumes "95/5" health care cost sharing. The City's share of health care premiums is assumed at 95%. The consultant's (AON) current forecast means health care costs are expected to increase from about \$31 million budget in FY2006-07 to \$61 million in FY2011-12.

	M50 Assess. Value \$1000	\$39,787,530	State Cigarette & Liquor	
	FY2007-08 M50 Tax Base	\$182,107,526	Tax Revenues to City	\$10,744,869
	M50 Compression Loss	(\$6,373,763)	CPI-W Increase (2nd Half '05	
Some	Est. Tax Base Imposed	\$175,733,762	to 2nd Half '06, for COLAs)	3.2%
Key	Delinquency/Discount(%)	-5.5%	Measure 50 FPD&R Levy	\$101,338,102
Forecast	Delinquency/Discount (\$)	(\$9,612,637)	Beginning General Fund	
Assump-	FY08 Tax Base Revenues	\$166,121,126	FY2007-08 Balance	\$19,301,836
tions	County M50 Levy	\$199,662,829	Estimated Urban Renewal Di-	
	Library-Local Option	\$34,706,782	vide-the-Taxes (11 Districts)	\$69,723,807
	Total-County Levies	\$234,369,611	Current Forecast: FY2007-08 t	o FY2011-12

Forecast FY2007-08 resources are up net \$25.3 million compared to the June forecast done in conjunction with Council's adoption of the FY2006-07 budget. Revenues are improved in this forecast by \$18.8 million. Beginning balance is up \$6.6 million (using accounting period data through period 4 - October 18th). Although all revenue categories are increased, the bulk of the \$18.8 million revenue increase is concentrated in business license revenues, property taxes, and utility license - franchise fees. Property taxes are up 1.4% off of a higher FY2006-07 base which saw 4% assessed value growth. Business license fees are

up \$12.2 million in this forecast and now more fully reflect better economic conditions as well as recent revenue experience. In the current cycle, business license revenues have bounced back much more "robustly" than in any previous upturn in the business cycle. Interest income continues to benefit from a higher interest rate environment.

Revenue Forecast RECAP, FY2007-08 (Fall Forecast)						
General Fund	Forecast	Current				
Revenue Category	Last June	Forecast	Difference			
Property Taxes	\$168,536,535	\$170,845,266	\$2,308,731			
Transient Lodgings	\$13,872,627	\$14,407,269	\$534,642			
Business Licenses	\$55,818,050	\$68,045,876	\$12,227,826			
Utility License/Franchise	\$60,350,374	\$63,015,617	\$2,665,243			
State Revenues	\$10,438,638	\$10,744,869	\$306,231			
Interest Income	\$2,623,055	\$3,292,988	\$669,933			
Transfers IN	\$763,023	\$790,560	\$27,537			
Miscellaneous	\$4,932,372	\$4,962,373	\$30,000			
Revenue Forecast	\$317,334,674	\$336,104,818	\$18,770,144			
Beginning FUND Balance	\$12,723,754	\$19,301,836	\$6,578,082			
Forecast Resources	\$330,058,428	\$355,406,654	\$25,348,226			
% Change In Revenues	5.91%					
% Change In Resources		7.68%				

Utility license and fran-

chise fees are up \$2.7 million with increases concentrated in natural gas related franchise and cable/telecom fees. A PGE rate increase goes into effect January. PacificCorp has a rate case pending at OPUC.

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of \$182.1 million. The forecast calls for 2.95% assessed value growth on taxable assessed values. About 0.25% of this growth results from new construction. Although FY2006-07 was a good year, Measure 50 assessed value growth lags behind the "advertised" 3 percent minimum. Property tax revenue growth is for the most part coming in below the region's average inflation rate. In addition, this lowers the General Fund's overall potential growth rate making it more difficult to fund current services and ongoing bureau program CAL requirements.

The FPD&R levy is forecast at \$101.3 million. This represents a \$14.7 million increase over FY2006-07's \$86.6 million levy. This number is preliminary pending a new forecast from FPD&R staff that reflects updated financial estimates as well as changes that result from voter approval of pension reform Measure 26-86.

Revenue Forecast ASSUMPTIONS					
Revenue Category	FY2007-08				
CITY Property Tax Levies					
Measure 50 Taxbase Levy	\$182,107,526				
Local Option & UR Collections	\$116,259,403				
Measure 50 FPD&R Levy	\$101,338,102				
City Local Government Total	\$399,705,031				
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	-3.50%				
Est. Portland Population	561,741				
GDP Growth (Economy.Com)	3.2%				
Revenue Sharing (State)	\$10,744,869				

THE BOTTOM LINE: The forecast shows that General Fund resources are improved over last June. Increased resources have substantially improved the General Fund's financial outlook. The financial forecast shows that Council's FY2007-08 budget process has both ongoing and one-time money available over and above current appropriation level (CAL) requirements. This represents the first time in several years that the General Fund will be able to expand beyond CAL requirements.

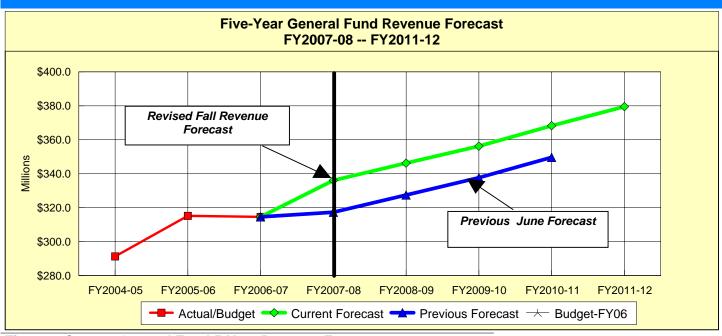


Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is a national economy that continues to expand at moderate rates and a growing regional economy. The metro area's economy has surpassed previous peak employment levels and continues to expand. The forecast absolutely depends on continued economic growth.

Figure 1 summarizes the 5-year revenue forecast off of the FY2006-07 base. Revenue growth remains critically dependent on assessed value growth. Revenue growth is forecast to average 3.8 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.

Financial forecast FY2006-07 General Fund current allocation level (CAL) costs are \$286.3 million, versus last June's \$285.6 million forecast. Forecast CAL targets are about 0.26% higher when compared to last June. CAL targets reflect somewhat higher inflation and continuation of "95/5" health benefits cost sharing. CAL targets incorporate PERS employer contribution rates which are marginally lower than previous rates. This change in PERS contribution rates netted out to about a \$202,000 CAL reduction. Initial EBSP costs

Estimated Current Allocati	on Level
Forecast Assumptions	FY2007-08
FY2007-08 Bureau CAL Targets	
June Forecast - CAL Targets	\$285,613,467
Current Forecast CALTargets	\$286,347,616
Difference In CAL Forecasts	\$734,149
General Inflation Rates	
GDP Price Deflator	2.4%
CPI-W% (Dec.'05-Dec.'06)	3.2%
Health Benefits Increase (AON)	5.8%
Producer Price Index	1.0%
CPI-Energy	2.2%
External M&S	
General-Overall	3.3%
Energy-Electricity	6.0%
Energy-Gas	8.0%
Sewer	8.9%
Water	4.0%
Utilities-Overall	6.8%
Internal M&S	
General-Overall	3.3%
Risk/Workers' Comp	4.3%
Wage & Salary % Increase	0.00/
Public Safety	3.2%
All Other	3.2%

of \$1.4 million have been located in OMF's budget with cost recovery split between overhead recovery and a discretionary CAL target adjustment. CAL estimates are based on an expected 3.2% COLA pending Bureau of Labor Statistics' publication of the actual increase in Portland-Salem CPI-W index scheduled for release during the third week of February 2007. Targets are higher net, due to Fall BuMP adjustments.

Forecast Council Set-Asides						
Forecast FY2007-08						
Set-Aside Item	Last June	Current				
Compensation	\$7,933,628	\$6,981,379				
ESA Planning(*)	\$0	\$0				
Street Light O&M	\$5,103,456	\$5,150,728				
Gen. 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				
PDOT Grant Match '09	\$0	\$0				
ESA Set-Aside/BES	\$355,205	\$356,665				
Voter Owned Elections	\$280,368	\$280,368				
City Hall Debt Service	\$2,419,250	\$2,419,250				
POBS Debt Service	\$8,486,412	\$7,950,006				
Other Debt Service	\$1,664,625	\$1,664,625				
New Columbia	\$0	\$2,018,000				
City Hall Maint. Reserve	\$294,310	\$294,310				
Housing Trust Fund	\$954,226	\$958,149				
Park-CAL/Maint	\$461,240	\$820,930				
Unused Line	\$0	\$0				
Trans. General Reserve	\$589,936	\$0				
Unused Line	\$0	\$0				
Unused Line	\$0	\$0				
Miscellaneous Transfers	\$533,569	\$535,763				
Financial Forecast						
Council Set-Asides	\$36,191,224	\$36,545,174				
Difference versus June F	orecast	\$353,949				

(*) Moved into bureau CAL targets.

COUNCIL set-asides, FY2007-08, as currently assumed in this forecast are summarized in the table to the left:

- The compensation set-aside is estimated at \$7.0 million down \$952,248 compared to last June. This results from a higher COLA estimate (3.2%) as offset by a lower health benefits cost increase estimate and a net decrease in the July 1, 2007 PERS employer contribution rate. The COLA increase will be trued-up to the actual CPI-W that BLS is scheduled to release during the third week of February.
- The capital set-aside (net of related debt service requirements) continues to be set at \$1.9 million. Capital related, "Other Debt Service" totals about \$1.7 million for FY2007-08.
- A \$2 million set-aside has been created in this forecast to fund Council's commitment to the New Columbia project.
- The General Fund's Pension Obligation Bond (POBS) debt service share is \$8.0 million for FY2007-08. With FY2007-08 the tenyear "ramp-up" in POBS debt service cost is completed. From here on out annual costs should increase by about 4% annually. The POBS debt service estimate is provided by Debt Management.

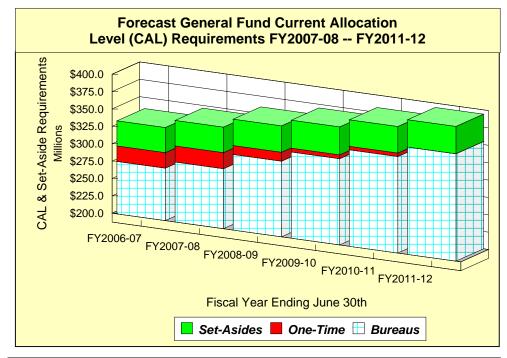


Figure 2-Current Service Level (CAL) Requirements

This forecast assumes a contingency of \$3.2 million. This is composed of a general contingency of \$1.4 million with \$1.8 million remaining as earmarked for Police. A contingency of \$1.4 million, given a discretionary resource estimate of \$353.7 million, works out to a contingency that is a scant 0.4% of estimated resources. Council may wish to consider an increase in the General Fund's contingency to something more prudent.

Set-asides are up net by about \$353,950 in this forecast. This results, for the most part, from inclusion of \$2.0 million for the New Columbia project as offset by a lower compensation set-aside, and lower POB debt service costs.

The table below combines the FY2007-08 resource forecast with estimated bureau ongoing CAL tar-

Sources & Uses of Funds: FY2007-08					
	Budget	FY2007-08			
Item	FY2006-07	Forecast			
FUND Revenues	\$314,586,018	\$336,104,818			
Beginning Balance	\$19,314,473	\$19,301,836			
FUND RESOURCES	\$333,900,491	\$355,406,654			
Less: Council Set-Asides.	(\$34,830,214)	(\$34,630,177)			
Less: Capital Set-Aside	(\$1,260,000)	(\$1,915,000)			
EQUALS: AVAILABLE TO					
BUREAU-PROGRAMS	\$297,810,282	\$318,861,477			
Reauired Bureaus CAL	\$297,810,282	\$290,381,031			
GAP/DIFFERENCE	\$0	\$28,480,446			
AVAILABLE Ongoing FY2	007-08	\$9,390,961			
New One-TimeFY2007-08\$19,089,488					

gets for FY2007-08. Forecast discretionary resources total \$355.4 million. Deducting set-asides of \$36.5 million leaves \$318.9 million against estimated CAL requirements and one-time budgets of about \$290.4 million. An estimated \$28.4 million is available to Council's FY2007-08 budget process. This is split between ongoing and one-time into \$9.4 million ongoing and \$19.1 million in one-time. This balances the General Fund over the forecast period, given crucial cost escalation assumptions for health care costs. The financial forecast anticipates successively smaller amounts of one-time money will be available to Council over the three-year period ending FY2010-11.

The out-years of the financial forecast are also improved and show amounts that should be available to Council as one-time funds. Additional ongoing is not available because of the strong escalation rate in health care costs as forecast by the City's health care consultant (AON). It is also important to point out that:

 The current financial forecast shows that incorporating \$9.4 million into ongoing bureau CAL requirements for FY2007-08 can be sustained, but there is the risk that a recession, higher inflation or health care costs could easily result in the need for CAL reductions in some future budget process.

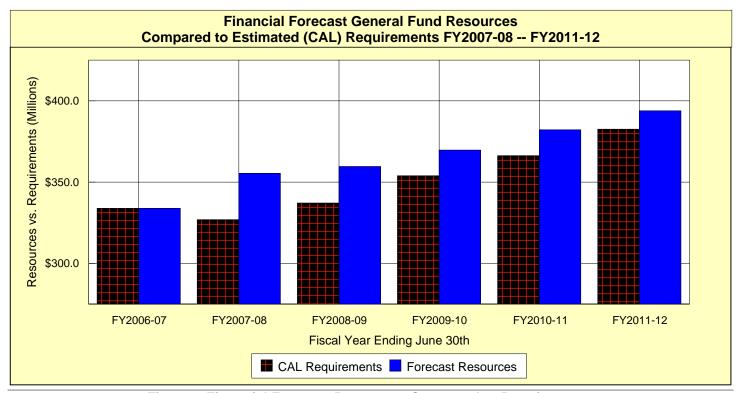


Figure 3-Financial Forecast Resources Compared to Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total \$715.1 million for two-years ending FY2008-09.
- Requirements are currently estimated at \$673.9 million over twoyears.
- The General Fund is balanced for the life of the forecast with \$9.4 million ongoing and \$19.1 million one-time available in FY2007-08.

Resources & Requirements Summary Next Two Years				
	Budget	Forecast	Forecast	Two-Year Total
	FY2006-07	FY2007-08	FY2008-09	Total
Item-Category Resources	\$333,900,491	\$355,406,654	\$359,655,091	\$715,061,745
Less: Assumed Set-Asides				
TANS Interest Expense	\$0	\$0	\$0	\$0
Compensation Set-Aside	\$4,559,943	\$6,981,379	\$8,640,576	\$15,621,955
Other Set-Asides				
Contingency	\$4,804,805	\$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	\$6,804,805	\$5,200,000	\$5,200,000	\$10,400,000
Capital Set-Aside	\$1,260,000	\$1,915,000	\$1,915,000	\$3,830,000
PERS Debt Service	\$7,307,031	\$7,950,006	\$8,700,896	\$16,650,902
Other General Fund Debt Service	\$1,665,000	\$1,664,625	\$1,437,460	\$3,102,085
City Hall/Precincts-Debt Service	\$2,420,700	\$2,419,250	\$2,421,900	\$4,841,150
Street Light O&M Transfer	\$4,876,282	\$5,150,728	\$5,274,567	\$10,425,296
Transfer To General Reserve	\$0	\$0	\$0	\$0
ESA Set-Aside (BES)	\$345,488	\$356,665	\$366,867	\$723,532
Mall Renovations/Transit	\$0	\$0	\$1,000,000	\$1,000,000
PDOT (Freeway Access/Res.#36441)	\$500,000	\$0	\$0	\$0
City Hall Maintenance Reserve	\$294,310	\$294,310	\$294,310	\$588,620
ESA ('06)/ PDOT Transfer ('07)	\$715,000	\$0	\$0	\$0
Voter Elections	\$280,368	\$280,368	\$280,368	\$560,736
New Columbia Set-Aside	\$0	\$2,018,000	\$0	\$2,018,000
Housing Transfer	\$0	\$0	\$0	\$0
Housing Trust Fund	\$928,122	\$958,149	\$985,555	\$1,943,704
Parks Ongoing Maintenance	\$795,204	\$820,930	\$844,412	\$1,665,342
Public Safety Fund	\$0	\$0	\$0	\$0
Parks ('06)/Env. Remediation ('07)	\$0	\$0	\$0	\$0
BTS & Miscellaneous Transfers	\$3,337,961	\$535,763	\$548,259	\$1,084,022
Subtotal, Assumed Set-Asides	\$36,090,214	\$36,545,174	\$37,910,170	\$74,455,344
Bureau Requirements & One-Time	\$294,238,465	\$290,381,031	\$309,033,365	\$599,414,396
Total Requirements	\$330,328,678	\$326,926,200	\$346,943,536	\$673,869,740
Resources less Requirements	ФО С 74 040	¢00,400,454	640 744 555	
Equals Excess(+)/CAL Gap(-)	\$3,571,813	\$28,480,454	\$12,711,555	¢0 200 004
Ongoing Increases(Reductions)	\$0	\$9,390,961	\$0	\$9,390,961
Available One-Time	\$0	\$19,089,488	\$12,711,555	\$31,801,043

FY2007-08 Through FY2011-12 Financial Forecast Summary

The five-year financial forecast shows that General Fund resources are sufficient to cover estimated current appropriation levels through FY2011-12. Resources exceed estimated requirements in each year, but the amount that is in excess of estimated requirements steadily declines to just over \$11.3 million in the last year of the forecast, and this is absorbed by adding \$9.4 million of ongoing requirements in FY2007-08. The principal reason that more ongoing is not available is the health care cost forecast. The City's health care consultant forecasts annual cost escalation of about 13% to 14%. This means that a large portion of forecast revenue growth needs to be spent "one-time" so that out-year health increases remain funded.

	Budget Year	Next Year	Financial Forecast Out-Years		Years
Item	2008	2009	2010	2011	2012
Resources	\$355,406,654	\$359,655,091	\$369,727,675	\$382,146,626	\$393,868,927
Requirements					
Bureau Requirements	\$286,347,616	\$299,048,002	\$313,803,113	\$328,160,070	\$343,293,797
One-Time Budgets	\$4,033,415	\$185,600	\$0	\$0	\$0
Council Set-Asides	\$36,545,174	\$37,910,170	\$40,109,143	\$38,118,938	\$39,295,879
GAP-Surplus(Deficit)	\$28,480,449	\$22,511,318	\$15,815,419	\$15,867,619	\$11,279,251

Five-Year Detail Of Current Financial Forecast

The financial forecast shows Council can increase ongoing CAL requirements \$9.4 million in the FY2007-08 budget process. For FY2007-08 this leaves about \$19.1 million available for one-time budgets. The forecast also shows that Council should have additional one-time resources available in each of following three budgets through FY2010-11. This course of action is not without some risk. The onset of a recession, increased inflation, higher health care cost escalation, or loss of state shared cigarette and liquor tax revenues could easily make it difficult for Council to sustain the ongoing programmatic increases.

	Two-Year	Forecast	Financial Forecast Out-Years		
Item	2008	2009	2010	2011	2012
Total Resources	\$355,406,654	\$359,655,091	\$369,727,675	\$382,146,626	\$393,868,927
Transfer In From					
General Reserve	\$0	\$0	\$0	\$0	\$0
Bureaus & Programs	\$286,347,616	\$308,847,765	\$324,079,135	\$338,905,402	\$354,527,156
Capital Set-Aside	\$1,915,000	\$1,915,000	\$1,915,000	\$1,915,000	\$1,915,000
Est. CAL Increase	\$9,390,961	\$0	\$0	\$ <i>0</i>	<i>\$0</i>
Planned One-Time	\$4,033,415	\$185,600	\$0	\$0	\$0
New One-Time	\$19,089,488	\$12,711,555	\$5,539,397	\$5,122,287	\$45,892
Pension Bonds P&I	\$7,950,006	\$8,700,896	\$9,043,756	\$9,386,000	\$9,792,622
Council Set-Asides	\$26,680,168	\$27,294,274	\$29,150,387	\$26,817,938	\$27,588,257
Total Requirements	\$355,406,654	\$359,655,091	\$369,727,675	\$382,146,627	\$393,868,927
Difference	(\$0)	\$0	(\$0)	(\$0)	\$0
Reserve Fund As A					
Percent Net Revenues	10.0%	10.2%	10.5%	10.7%	11.0%

Risks To The Financial Forecast

Although this forecast assumes continued economic expansion, there are uncretainties:

- The possibility of state-wide tax reform is higher than in the past; there could be some negative fiscal impact on local government revenues.
- The Oregon Legislature is studying the distribution of cigarette and liquor taxes to cities. There is some risk that some or all of these revenues (totaling about \$10.7 million) could be lost.
- Failure of voters to reauthorize the Parks local option levy could pressure Council to "back fill"
 Parks' revenues loss, upsetting the forecast beginning in FY2008-09 or FY2009-10.
- Geopolitical uncertainties (energy, Iraq) could easily lead to a recession.

Two-Year Forecast Resources-By Budget Category Detail							
Category	FY2006-07	Y2006-07 FY2007-08 FY20					
RESOURCES	Budget	Forecast	Forecast				
Property Taxes							
Current Year Taxes	\$159,918,111	\$166,121,126	\$170,864,688				
Prior Year Taxes	\$3,737,990	\$3,482,313	\$3,429,981				
Payment in Lieu of Taxes	\$781,420	\$1,241,827	\$1,247,865				
Total Property Taxes	\$164,437,521	\$170,845,266	\$175,542,534				
Other Taxes							
Lodging Tax	\$13,502,206	\$14,407,269	\$15,310,605				
Licenses & Permits							
Business Licenses	\$52,830,754	\$68,045,876	\$71,695,216				
Utility License-External	\$42,149,663	\$46,022,143	\$45,989,140				
State Sources(*)							
State Shared Revenue	\$10,199,408	\$10,744,869	\$11,274,799				
Local Government							
Local Shared Revenue	\$2,740,836	\$2,882,373	\$3,031,219				
Miscellaneous Revenues							
Refunds	\$30,000	\$30,000	\$30,000				
Interest on Investments	\$2,784,196	\$3,292,988	\$3,593,352				
Other Misc. Revenues							
Other Misc. Revenues	\$50,000	\$50,000	\$50,000				
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	\$227,367	\$234,188	\$241,214				
Hydro-Fund Transfer	\$200,000	\$200,000	\$200,000				
Fleet Transfer	\$5,000,000	\$0	\$0				
Refuse Disposal	\$85,000	\$85,000	\$85,000				
HCD-Indirect	\$258,589	\$243,835	\$243,835				
Federal Grants-Indirect	\$0	\$0	\$0				
Transfer-General Reserve	\$1,044,567	\$0	\$0				
Other Transfers	\$52,437	\$27,537	\$0				
Subtotal-Transfers, Misc.	\$6,867,960	\$790,560	\$770,049				
Beginning Fund Balance							
(Unencumbered)	\$19,314,473	\$19,301,836	\$13,374,702				
TOTAL DISCRETIONARY	\$333,900,491	\$355,406,654	\$359,655,091				
Checksum Total-Page 2	\$333,900,491	\$355,406,654	\$359,655,091				
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 bonds, 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 ending FY2007-08.

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 as computed by Debt Management.

	•		Annual POB Debt Service		
	Bureau PERS	Percentage	FY2007-08	FY2008-09	
FUND	Liability	Allocation	\$21,414,323	\$23,436,939	
General Fund Bureaus	\$111,689,086	37.125%	\$7,950,006	\$8,700,896	
Unused Line	\$0	0.000%	\$0	\$0	
Subtotal	\$111,689,086	37.125%	\$7,950,006	\$8,700,896	
BGS Non-discretionary	\$1,306,199	0.434%	\$92,975	\$101,756	
OMF Water Billing	\$0	0.000%	\$0	\$0	
PDOT (net)	\$55,353,645	18.399%	\$3,940,061	\$4,312,206	
BOEC (net)	\$2,863,692	0.952%	\$203,837	\$223,090	
Buildings (OPDR)	\$14,372,042	4.777%	\$1,022,999	\$1,119,623	
BES	\$39,339,044	13.076%	\$2,800,145	\$3,064,623	
Hydroelectric	\$301,518	0.100%	\$21,462	\$23,489	
WATER	\$40,857,860	13.581%	\$2,908,254	\$3,182,943	
Golf Operating	\$2,463,621	0.819%	\$175,360	\$191,923	
PIR	\$474,264	0.158%	\$33,758	\$36,946	
Refuse Disposal	\$765,035	0.254%	\$54,455	\$59,598	
Environ. Remediation	\$17,660	0.006%	\$1,257	\$1,376	
Parks Bond Const.	\$1,364,840	0.454%	\$97,149	\$106,325	
Parks Construction	\$22,801	0.008%	\$1,623	\$1,777	
Facilities Services	\$2,448,982	0.814%	\$174,318	\$190,782	
Fleet Operating	\$5,754,906	1.913%	\$409,633	\$448,324	
Print & Distribution	\$1,950,216	0.648%	\$138,816	\$151,928	
BTS	\$4,415,663	1.468%	\$314,306	\$343,993	
Insurance & Claims	\$1,074,631	0.357%	\$76,492	\$83,717	
Health Insurance	\$454,736	0.151%	\$32,368	\$35,425	
LID	\$1,025,122	0.341%	\$72,968	\$79,860	
FPD&R	\$613,559	0.204%	\$43,673	\$47,798	
Unused Line	\$0	0.000%	\$0	\$0	
Comm. Services	\$2,424,157	0.806%	\$172,551	\$188,849	
Arena/Facilities	\$225,247	0.075%	\$16,033	\$17,547	
Worker Comp. Oper.	\$1,005,187	0.334%	\$71,549	\$78,307	
PDC	\$8,264,635	2.747%	\$588,275	\$643,838	
TOTAL All Funds	\$300,848,346	100.00000%	\$21,414,323	\$23,436,939	

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

	2010	2011	2012
Out-Year Debt Service	\$24,360,474	\$25,282,350	\$26,377,638