Office of Management & Finance

December Five-Year Forecast

for the City of Portland General Fund

As of....	25-Nov-2008	Previous Forecast.....	26-Jun-2008

December Financial Forecast Reflects Recession, Need For Ongoing CAL Reductions To Balance

Item	Forecast Last JUNE	DECEMBER Forecast	Difference
Council Discretionary Available FY2009-10..	*$376,480,083*	*$375,207,602*	*($1,272,481)*
Requirements:			
Capital Set-Aside.....	*$0*	*$0*	*$0*
Council Set-Asides.....	*$36,255,626*	*$44,746,664*	*$8,491,038*
One-Time Budgets.....	*$348,658*	*$348,665*	*$7*
Bureaus & Programs.....	*$334,774,778*	*$334,733,736*	*($41,042)*
CAL Requirements.....	*$371,379,062*	*$379,829,065*	*$8,450,004*
Resources Less CAL.....	*$5,101,021*	*($4,621,464)*	*($9,722,485)*
Ongoing FY09-10.....	*$0*	***($7,105,000)***	*($7,105,000)*
Available One-Time.....	***$5,101,020***	***$2,483,541***	*($2,617,479)*
Ongoing FY10-11.....	***$0***	*$0*	***$0***
Available One-Time.....	***$5,025,519***	***$0***	***($5,025,519)***

Financial Forecast Five-Year Outlook Deteriorates

- *Forecast FY2009-10 revenues are down $3.6 million compared to the previous June forecast done in conjunction with Council's FY2008-09 budget adoption. Beginning balance is up $2.3 million from the previous forecast. This resource forecast is weaker reflecting state, regional, and national economic forecasts calling for recession.*
- *Bureau CAL target estimates are about the same as last June and result from higher escalation rates as offset by lower PERS employer contribution rates. Set-asides are up $8.5 million over last June due in part to the omission of a $4.5 million PSSRP requirement.*
- *Bringing the General Fund into balance over the life of the five-year forecast period will require $7.1 million (2.2%) ongoing CAL cuts this budget cycle. If the decline in business license revenues is about right, these CAL reductions should stabilize the General Fund.*

Current Outlook

Regional And National Economies In Recession

The US Economy, battered by the worst financial crisis since the Great Depression, seems to have lost its footing and is sliding into recession. Both state and regional economies are experiencing rising unemployment rates. Job growth has largely disappeared. The severity of this financial crisis is likely to stress General Fund finances over the next 12 to 24 months. Revenue growth is forecast to turn negative over the next 12 to 24 months. No precedent exists for the kind of financial and economic environment now facing the U.S. national economy, except perhaps the depression of the 1930s. General Fund revenues may get much worse.

Economy.com Now Expects Recession

Economy.com expects the regional economy to slide into recession along with the U.S. economy. Current revenue and financial forecasts reflect this basic environment. Business license and transient lodging revenues are forecast to to decline following a "typical" or average recession pattern.

Some Key Forecast Assumptions

M50 Assess. Value $1000.....	$43,630,228
FY2009-10 M50 Tax Base.....	$199,695,551
M50 Compression Loss.....	*($5,962,134)*
Est. Tax Base Imposed.....	$193,733,417
Delinquency/Discount(%).....	*-5.5%*
Delinquency/Discount ($).....	*($10,558,471)*
FY09 Tax Base Revenues.....	$183,174,946
County M50 Levy.....	$225,785,953
Library-Local Option.....	$46,265,483
Total-County Levies.....	*$272,051,436*

State Cigarette & Liquor Tax Revenues to City.....	*$12,283,785*
CPI-W Increase (2nd Half '07 to 2nd Half '08, for COLAs).....	***4.3%***
Measure 50 FPD&R Levy.....	*$117,037,532*
Beginning General Fund FY2009-10 Balance.....	*$17,091,746*
Estimated Urban Renewal Divide-the-Taxes (11 Districts).....	*$89,883,104*
Current Forecast: FY2009-10 to FY2013-14	

Forecast FY2009-10 resources reflect a different world as compared to last June's forecast. In this forecast, revenues are down net, $3.6 million (-1%). Beginning fund balance is up $2.3 million as identified in the Period 4 Financial OUTLOOK. Estimated FY2009-10 discretionary resources are down about $1.3 million. Property taxes are up slightly on the strength of a better than expected current year. The biggest change to the forecast is large forecast declines in both transient lodging and business license revenues. The forecast assumes that these two cyclical revenues follow an average recessionary path as occurred in the last two recessions. Transfers-In reflect the use of reserves to reduce the size of CAL reductions needed to balance the fund.

Revenue Forecast RECAP, FY2009-10			
General Fund Revenue Category	Forecast Last JUNE	DECEMBER Forecast	Difference
Property Taxes.....	$185,098,010	$188,283,835	$3,185,825
Transient Lodgings.....	$16,742,376	$15,674,351	($1,068,025)
Business Licenses.....	$75,434,453	$62,897,003	($12,537,450)
Utility License/Franchise.....	$64,847,744	$68,049,357	$3,201,613
State Revenues.....	$12,042,033	$12,283,785	$241,752
Interest Income.....	$3,452,092	$1,683,204	($1,768,888)
Transfers-In.....	$799,941	$6,342,706	$5,542,765
Miscellaneous.....	$3,267,751	$2,901,614	($366,137)
Revenue Forecast.....	$361,684,400	$358,115,856	($3,568,544)
Beginning FUND Balance.....	$14,795,684	$17,091,746	$2,296,062
Forecast Resources.....	$376,480,084	$375,207,602	($1,272,482)
% Change In Revenues.....		-0.99%	
% Change In Resources.....		-0.34%	

Utility license fees are up $3.2 million but the General Fund gets no benefit from this increase. Council's passage of Ordinance #182904 earmarks all revenues above the previous forecast for PDOT. Interest income is down as interest rates are much lower in this forecast. Miscellaneous revenues, mostly Court Fines, are also down on revision of the revenue sharing split percentages with PDOT.

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of $199.7 million. The forecast calls for 2.9% assessed value growth on taxable assessed values. About 0.15% of this growth results from new construction. Although FY2008-09 was a "good year," Measure 50 assessed value growth is barely at the "advertised" 3 percent minimum. Property tax revenue growth is for the most part coming in below the region's average inflation rate. This lowers the General Fund's overall potential growth rate, making it more difficult to fund current services and ongoing bureau program CAL requirements.

Revenue Forecast ASSUMPTIONS	
Revenue Category	FY2009-10
CITY Property Tax Levies	
Measure 50 Taxbase Levy.....	$199,695,551
UR(Divide-Taxes,Special Levy).	$122,448,634
FPD&R System Levy.....	$117,037,532
City Of Portland Total.....	$439,181,717
MULTNOMAH County Levies	
Measure 50 Levy Authority.....	$225,785,953
Local Option Levy (Library).....	$46,265,483
Mult. County Levy Total.....	$272,051,436
M50 Assessed Value Growth.....	3.050%
Percent of FY2009-20 Levies	
Not Received First Year.....	-5.450%
Measure 50 Compression.....	-3.000%
Est. Portland Population.....	580,486
GDP Growth (Economy.Com).....	3.56%
Revenue Sharing - Oregon(*).....	$12,283,785

(*) Cigarette and liquor tax distributions.

The FPD&R levy is estimated at $117.0 million pending a new five-year forecast from FPD&R. At present, the $117.0 million levy represents a 5.0% increase over and above the FY2008-09 levy. Recent voter approval of Measure 26-53 will, over the coming years, substantially increase near term levy requirements. In the absence of a new five-year financial forecast from FPD&R, OMF generated a five-year forecast of out-year levy requirements using trending tools.

THE BOTTOM LINE: Revenue growth is much weaker in this forecast reflecting the onset of recession both locally and nationally. The result is an expected sharp decline in business license and transient lodging tax revenues. Resources fall short of estimated requirements by a wide margin and about $7.1 million of ongoing CAL reductions are required to balance the General Fund over the five-year forecast period. Council needs to be mindful that the CAL reductions recommended in this forecast may become part of an iterative process lasting more than one budget cycle depending on actual length and duration of the recession.

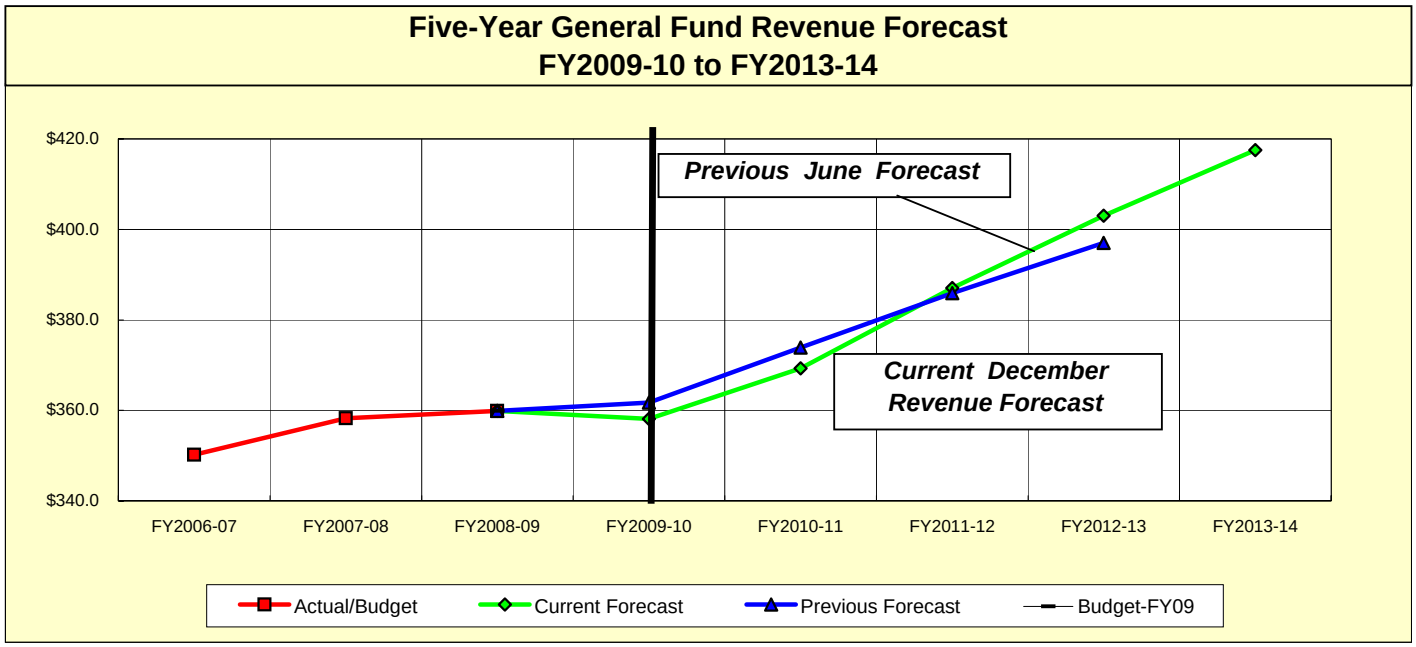

Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is that both the national and regional economies have slipped into a recession that, at the local level, will be an average of the last two recessions. The recession is expected to reduce General Fund business license and transient lodging tax revenues for the next 16 to 24 months.

Figure 1 summarizes the 5-year revenue forecast off of the FY2008-09 base. Property tax revenues remain critically dependent on taxable assessed value growth. Overall revenue growth is forecast to average 3% the next five years with no growth for FY2009-10. Growth begins to reassert itself the following year as business license and transient tax revenues "bottom out." In the out-years of the forecast normal trend revenue growth should return.

Estimated FY2009-10 General Fund current allocation level (CAL) costs are unchanged from last June's forecast. Higher escalation costs have been initially offset by a large one-time, two year, PERS employer contribution rate reduction. The forecast does not include any explicit assumptions about new labor contracts that will be negotiated during FY2009-10 beyond the usual assumption of wage and salary increases at CPI-W (Portland-Salem), December to December prior the fiscal year start. Settlements in excess of CPI-W increases would upset this forecast and extend the cycle of CAL reductions needed to stabilize the General Fund over this five-year forecast horizon for another one or two budget cycles. In addition, the recession that has started is viewed by most pundits as likely to be one that is longer and deeper than anything seen in the modern post-World War II period. Business license and transient lodging tax revenues could easily "bottom-out" at levels millions of dollars below current forecast.

Estimated Current Allocation Level Forecast Assumptions	FY2009-10
FY2009-10 CAL Targets……..	
June CAL Targets.....	$334,774,778
Curent Forecast CALTargets.....	$334,733,736
Difference In CAL Forecasts.....	-$41,042
General Inflation Rates	
GDP Price Deflator.....	1.6%
CPI-W% (Dec.'07-Dec.'08)(*).....	**4.3%**
Health Benefits % (AON).....	**7.1%**
Producer Price Index.....	5.5%
CPI-Energy.....	-2.4%
External M&S	
General-Overall.....	0.0%
Energy-Electricity.....	10.0%
Energy-Natural Gas.....	14.8%
Sewer.....	5.5%
Water.....	8.5%
Utilities-Overall.....	9.6%
Internal M&S.....	
General-Overall.....	7.8%
Risk/Workers' Comp.....	7.6%
Wage & Salary % Increase.....	
Public Safety.....	**4.3%**
All Other.....	**4.3%**

(*) Final as published by BLS, February 20, 2008.

Assumed FY2009-10 Set-Asides		
Set-Aside Item	June Forecast	Forecast December
Compensation.....	*$7,733,183*	*$9,840,478*
PDOT One-Time	$0	$0
Street Light O&M.....	$5,748,285	$6,130,484
Gen. Fund Contingency..	$3,200,000	$3,200,000
Unforeseen & Inventory..	$0	$0
Subtotal-Contingency	$3,200,000	$3,200,000
Capital Set-Aside.....	$0	$0
To General Reserve.....	$500,000	$0
ESA Set-Aside/BES.....	$380,382	$386,043
Voter Owned Elections...	$280,368	$280,368
City Hall Debt Service.....	$2,421,250	$2,421,250
POBS Debt Service.....	$9,167,760	$7,949,452
Other Debt Service.....	$1,443,055	$1,443,055
Police (Traffic).....	$276,000	$276,000
City Hall Maint. Reserve.	$294,310	$294,310
PDOT-Sustainability	$90,197	$91,539
Park-CAL/Maint.....	$965,970	$965,970
MERC Transfer.....	$754,866	$766,100
CAD, Transfer.....	$0	$4,500,000
North Mac(Ord.#36441)	$3,000,000	$3,000,000
PDOT (Ord.#182904)(*).	$0	$3,201,614
Unused Line……	$0	$0
Assumed Council Set-Asides.....	**$36,255,626**	**$44,746,664**
Difference vs. June Forecast.....		**$8,491,038**

(*) Excess utility license and franchise fees above previous five-year forecast.

Assumed FY2009-10 set-asides are outlined in the table at the left where:

- The compensation set-aside is increased reflecting a 4.3% COLA increase versus 2.7% assumed last June. A 5.7% health benefits cost increase (as forecast by AON) is down from a previous 9% estimated increase.

- The capital set-aside (net of related debt service requirements) has been eliminated and been dedicated to PSSRP funding.

- The General Fund's Pension Obligation Bond (POBS) debt service share is $7.9 million for FY2009-10, down $1.2 million.

- Set-asides continue to assume a planned $4.5 million transfer earmarked for computer aided dispatch (CAD) replacement. This set-aside is new to the forecast having been omitted from the June forecast.

- A one-time $3 million cash transfer to PDOT as required by ordinance for a transportation project in South Waterfront remains in the forecast.

- This past summer Council dedicated all utility license and franchise fee revenues above the previous five-year forecast to PDOT in order to help close PDOT's gap between resources and requirements. OMF currently estimates this amount at $3.2 million for FY2009-10.

Set-asides assume a $3.2 million contingency. Of this amount $1.4 million is unobligated. The remaining $1.8 million, is earmarked for the Police Bureau, if required, during Spring of FY2009-10.

Set-asides are up net by $8.5 million compared to the June forecast. Inclusion of the $4.5 million CAD tranfer and a higher compensation set-aside, and the new PDOT increase explain all of the difference between the June forecast and this forecast.

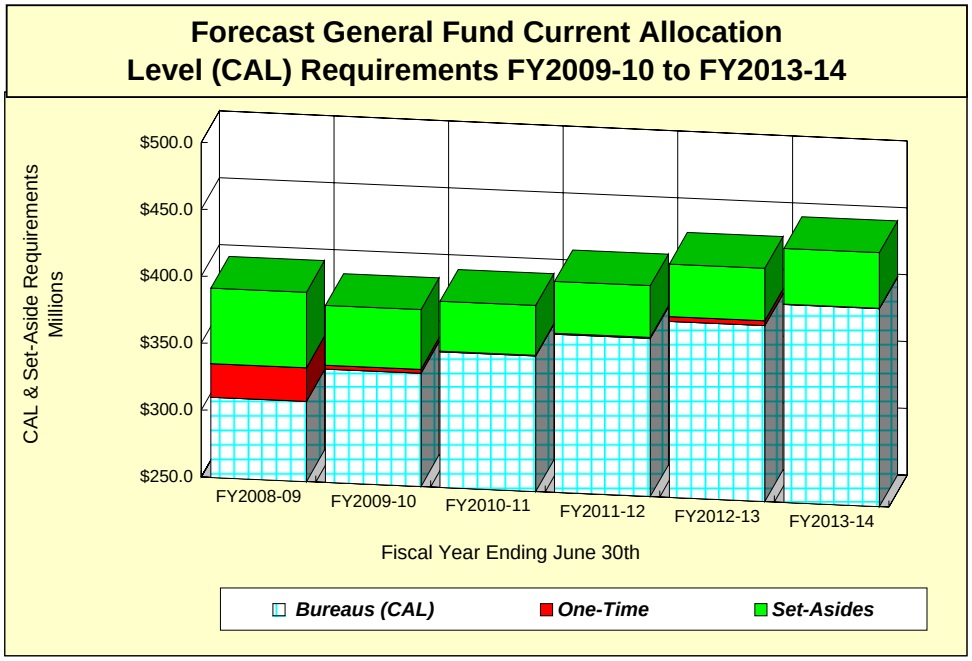

Figure 2-Current Service Level (CAL) Requirements

The table below combines the FY2009-10 resource forecast with estimated bureau CAL requirements. Estimated resources total $375.2 million. Estimated set-asides represent a $44.7 million requirement. This leaves net, $330.5 million against $335.1 million of bureau CAL requirements. The five-year financial forecast (see page 7 detail) shows that CAL reductions totaling $7.1 million will balance the General Fund over the life of the forecast. If the out-year resources and requirements are about right, $7.1 million of CAL reductions balances over the five-years and stabilizes the General Fund at a newer lower CAL level that can then grow as required by cost escalation. A shorter shallower recession may make some out-year CAL rebuilding possible.

Sources & Uses of Funds: FY2009-10		
Item	***Budget*** FY2008-09	FY2009-10 ***Forecast***
FUND Revenues.....	$359,857,089	$358,115,856
Beginning Balance.....	$31,632,005	$17,091,746
FUND RESOURCES	*$391,489,094*	*$375,207,602*
Less: Council Set-Asides.	($56,490,541)	($44,746,664)
Less: Capital Set-Aside...	$0	$0
EQUALS: AVAILABLE TO BUREAU-PROGRAMS...	$334,998,555	$330,460,938
Required Bureaus CAL....	$334,998,555	$335,082,402
GAP/DIFFERENCE.....	**$0**	**($4,621,464)**
AVAILABLE Ongoing FY2009-10.....		**($7,105,000)**
New One-Time...FY2009-10.....		**$2,483,541**

The December financial forecast shows a changed economic and financial environment compared to the one used for last June's forecast. Since last June the economy has suffered a huge financial shock that has intensified the credit crunch and triggered a sharp downturn in the "real" economy. This recession is likely to be more difficult than any post World War II recession:

- Council needs to be aware that the CAL cut number coming out of this forecast may only be a first "iteration." The actual decline in business license and transient lodging tax revenues could easily be much worse than currently forecast. This recession may not be an "average" or typical recession.

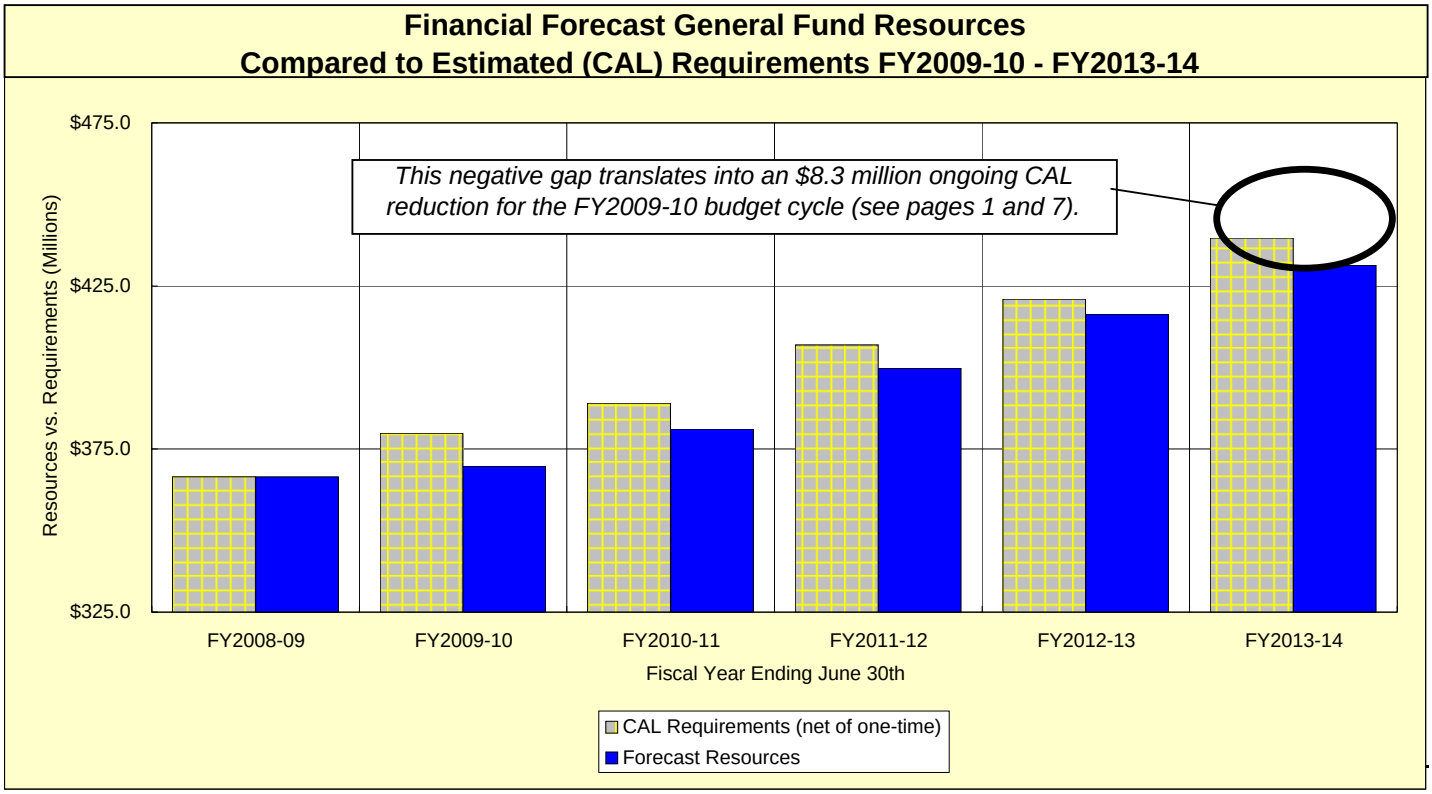

Figure 3-Financial Forecast Resources Compared to Requirements (See first table page 8)

FORECAST RESOURCES & REQUIREMENTS DETAIL NEXT TWO YEARS

The table below summarizes the next two years of the financial forecast General Fund resources and requirements:

- Resources total $757.0 million for two-years ending FY2010-11.
- Requirements are currently estimated at $769.1 million over two-years.
- The General Fund is balanced for the life of the forecast with CAL reductions totaling $7.1 million for FY2009-10.

	Resources & Requirements Summary Next Two Years			
	Budget FY2008-09	Forecast FY2009-10	Forecast FY2010-11	Two-Year Total Total
Item-Category **Resources**	$391,489,094	$375,207,602	$381,759,691	***$756,967,293***
Less: Assumed Set-Asides				
TANS Interest Expense	$0	$0	$0	$0
Compensation Set-Aside	$12,001,165	$9,840,478	$7,933,167	$17,773,644
Other Set-Asides				
Contingency	$6,253,800	$3,200,000	$3,200,000	$6,400,000
Unforeseen Reimbursable	$0	$0	$0	$0
Subtotal-Contingency	$6,253,800	$3,200,000	$3,200,000	$6,400,000
Capital Set-Aside	$0	$0	$0	$0
PERS Debt Service	$8,249,552	$7,949,452	$8,960,503	$16,909,955
Other General Fund Debt Service	$1,437,460	$1,443,055	$1,436,165	$2,879,220
City Hall/Precincts-Debt Service	$2,421,900	$2,421,250	$2,415,250	$4,836,500
Street Light O&M Transfer	$5,614,371	$6,130,484	$6,405,464	$12,535,949
CAD & General Reserve Transfers	$7,150,000	$4,500,000	$0	$4,500,000
ESA Set-Aside (BES)	$370,225	$386,043	$396,363	$782,406
Transit (FY08-09) Mall	$1,033,000	$0	$0	$0
Water/Bathrooms	$250,000	$0	$0	$0
City Hall Maintenance Reserve	$294,310	$294,310	$294,310	$588,620
PDOT Transfer (FY2008-09)	$5,975,000	$0	$0	$0
Voter Owned Elections	$102,936	$280,368	$280,368	$560,736
Police (Traffic)/POEM Facilities Study	$276,000	$276,000	$276,000	$552,000
Transfer (EBSP,MDTs) To BTS	$2,402,913	$0	$0	$0
Facilities (FY2008-09), ECC/RTC	$600,000	$0	$0	$0
Parks Ongoing Maintenance	$1,235,412	$965,970	$887,368	$1,853,338
North Mac. Access(Resolution#36441)	$0	$3,000,000	$0	$3,000,000
MERC (Transfer To Spectator Fac.)	$734,709	$766,100	$786,580	$1,552,680
PDOT Transfer Ord.#182904	$0	$3,201,614	$4,000,000	$7,201,614
PDOT (Sustainability)	$87,788	$91,539	$93,986	$185,525
Subtotal, Assumed Set-Asides	$56,490,541	$44,746,672	$37,365,524	$82,112,188
Bureau Requirements & One-Time	$334,998,554	$335,082,401	$351,853,872	$686,936,273
Total Requirements	$391,489,094	$379,829,068	$389,219,395	**$769,048,461**
Resources less Requirements Equals Excess(+)/CAL Gap(-)	$0	**($4,621,467)**	**($7,459,704)**	**($12,081,171)**
Ongoing Increases(Reductions)	$0	**($7,105,000)**	**$0**	**($7,105,000)**
Available One-Time	$0	**$2,483,541**	**$0**	**$2,483,541**

Raw FY2009-10 Through FY2013-14 Five-Year Financial Forecast Summary

The table below details "raw" financial forecast results i.e., prior to any efforts to model a solution in terms of CAL reductions for FY2009-10 that will balance the General Fund for the five-year forecast period. As can be seen from the table the gap between resources and requirements is about $10.2 million for next fiscal year. FY2009-10 represents the trough, bottom, for this recession. Recovery is expected to start during FY2010-11 but the damage from the recession will have been done. The native gap between resources and requirements appears to be about $8.3 million in the last year of the forecast. Thus, a solution to the problem has to deal with an immediate gap of $10.2 million as well as the longer term picture.

	Raw Five-Year Financial Forecast				
Item	2010	2011	2012	2013	2014
Resources.....	$369,707,602	$381,094,850	$399,753,234	$416,290,904	$431,329,611
Requirements.....					
Bureau Requirements....	$334,733,738	$351,444,693	$368,125,044	$381,487,299	$397,833,796
Planned One-Time.....	$348,658	$245,408	$200,000	$200,000	$200,000
Council Set-Asides.....	$44,746,664	$37,365,524	$38,633,384	$39,290,473	$41,627,397
GAP-Surplus(Deficit).....	***($10,121,459)***	***($7,960,775)***	***($7,205,194)***	***($4,686,868)***	***($8,331,583)***

Financial Forecast Five-Year Detail After Balancing

The table below summarizes a solution to balancing the General Fund for the life of the five-year forecast period. It should be viewed as only one of many potential or possible solutions. In this solution $5.9 million of reserves are used to bridge the gap caused by revenue shortfalls. All of the $5.9 million comes out of excess reserves, the General Reserve fund remains fully funded at the policy required 10% level. Use of all of the excess reserves reduces the size of the ongoing CAL reductions needed to stabilize the General Fund at a lower CAL level. Some one-time money may be available in the out-years.

	Budget Yr.	**Next Cycle**	Financial Forecast Out-Years		
Item	2010	2011	2012	2013	2014
Total Resources.....	$369,707,602	$381,277,773	$399,775,368	$416,291,638	$431,329,635
Transfer In From General Reserve.....	$5,500,000	$481,918	$0	$0	$0
Bureaus & Programs.....	$334,733,739	$343,984,989	$360,311,286	$373,389,916	$389,389,446
Capital Set-Aside.....	$0	$0	$0	$0	$0
Est. CAL Reduction.....	***($7,105,000)***	***$0***	***$0***	***$0***	***$0***
Planned One-Time.....	$348,658	$245,408	$200,000	$200,000	$200,000
New One-Time.....	***$2,483,541***	***$163,771***	***$630,698***	***$3,411,249***	***$112,792***
Pension Bonds P&I.....	$7,949,452	$8,960,503	$9,926,960	$10,294,701	$10,668,773
Council Set-Asides.....	$36,797,211	$28,405,021	$28,706,424	$28,995,772	$30,958,624
Total Requirements	$375,207,601	$381,759,692	$399,775,368	$416,291,638	$431,329,635
Difference - GAP	***$1***	*($0)*	*$0*	*($0)*	*$0*
Reserve Fund As A Percent Net Revenues	10.0%	10.0%	10.0%	10.0%	10.0%

Risks To The Financial Forecast

Although this forecast assumes continued a recessionary environment, uncertainties remain:

- *All of the financial and economic data available to OMF suggest that the US Economy has slipped into recession. The depth and length of this recession represents a major uncertainty.*
- *Geopolitical uncertainties (Iraq, Pakistan) could also easily lead to a deeper recession.*
- *Any unanticipated CAL requirements will upset the forecast. The City will be negotiating new labor contracts during FY2009-10. Settlements above CPI-W increases upset the forecast.*
- *There continues to be some risk that future legislative action could curtail distributions of cigarette and liquor taxes to cities especially in light of the State's financial situtation this biennium.*

Two-Year Forecast Resources-By Budget Category Detail			
Category	*FY2008-09*	*FY2009-10*	*FY2010-11*
RESOURCES	***Budget***	***Forecast***	**Forecast**
Property Taxes			
Current Year Taxes	$174,955,885	$183,174,945	$188,610,199
Prior Year Taxes	$3,659,226	$3,933,572	$3,693,374
Payment in Lieu of Taxes	$1,359,749	$1,175,317	$1,192,725
Total Property Taxes	*$179,974,860*	*$188,283,835*	*$193,496,298*
Other Taxes			
Lodging Tax	$16,079,910	$15,674,351	$15,639,354
Licenses & Permits			
Business Licenses	$75,705,012	$62,897,003	$69,761,303
Utility License-External	$48,817,200	$51,055,883	$54,089,992
State Sources(*)			
State Shared Revenue	$12,036,210	$12,283,785	$12,585,448
Local Government			
Local Shared Revenue	$3,031,219	$2,851,614	$2,814,674
Miscellaneous Revenues			
Refunds	$30,000	$30,000	$30,000
Interest on Investments	$3,462,596	$1,683,204	$2,352,962
Other Misc. Revenues			
Other Misc. Revenues	$1,383,903	$20,000	$20,000
Unforeseen Reimbursable	$0	$0	$0
Transfers, Other Funds			
Utility License-Internal			
Water Operating	$4,184,153	$4,184,153	$4,399,515
Sewer Operating	$12,809,321	$12,809,321	$12,809,321
Miscellaneous			
Parking Facility-Tax Offset	$241,212	$241,213	$248,449
Hydro-Fund Transfer	$250,000	$250,000	$200,000
Fleet Transfer	$0	$0	$0
Refuse Disposal	$85,000	$85,000	$85,000
HCD-Indirect	$235,081	$235,081	$235,081
Federal Grants-Indirect	$0	$0	$0
Transfer-General Reserve	$0	$5,500,000	$481,918
All Other Transfers.....	$1,531,412	$31,412	$31,412
Subtotal-Transfers, Misc.	$2,342,705	$6,342,706	$1,281,860
Beginning Fund Balance (Unencumbered)	$31,632,005	$17,091,746	$12,478,963
TOTAL DISCRETIONARY	$391,489,094	$375,207,602	$381,759,691
Checksum Total-Page 2	$391,489,094	$375,207,602	$381,759,691
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 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 "traditional" 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 emloyer 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. Debt Management computes this schedule every year.

			Annual POB Debt Service	
	Bureau PERS	Percentage	FY2009-10	FY2010-11
FUND	Liability	Allocation	**$21,123,195**	**$23,809,748**
General Fund Bureaus..	$111,692,444	37.125%	$7,841,926	$8,839,302
Unused Line	$0	0.000%	$0	$0
Subtotal.....	**$111,692,444**	**37.125%**	**$7,841,926**	**$8,839,302**
Unused Line	$0	0.000%	$0	$0
Unused Line……	$1,306,238	0.434%	$91,711	$103,375
PDOT (net).....	$55,355,308	18.399%	$3,886,496	$4,380,800
BOEC (net).....	$2,863,780	0.952%	$201,066	$226,638
Development Svcs.....	$14,372,483	4.777%	$1,009,092	$1,137,433
BES	$39,340,224	13.076%	$2,762,077	$3,113,372
Hydroelectric	$301,524	0.100%	$21,170	$23,863
WATER	$35,664,494	11.854%	$2,504,004	$2,822,476
Golf Operating	$2,463,695	0.819%	$172,976	$194,976
PIR	$474,277	0.158%	$33,299	$37,534
Refuse Disposal	$765,048	0.254%	$53,714	$60,546
Environ. Remediation	$17,661	0.006%	$1,240	$1,398
Parks Bond Const.	$1,364,877	0.454%	$95,828	$108,016
Parks Construction	$22,803	0.008%	$1,601	$1,805
Facilities Services	$2,449,053	0.814%	$171,948	$193,817
Fleet Operating	$5,755,078	1.913%	$404,064	$455,455
Print & Distribution	$1,950,278	0.648%	$136,929	$154,344
BTS/Comm. Svcs.	$4,415,796	1.468%	$310,033	$349,465
Insurance & Claims	$1,074,662	0.357%	$75,452	$85,048
Health Insurance	$454,750	0.151%	$31,928	$35,988
LID	$1,025,153	0.341%	$71,976	$81,130
FPD&R	$613,574	0.204%	$43,079	$48,558
Communication Svcs.	$2,424,227	0.806%	$170,205	$191,853
Water CS	$5,194,602	1.727%	$364,713	$411,099
Arena/Facilities	$225,253	0.075%	$15,815	$17,826
Worker Comp. Oper.	$1,005,213	0.334%	$70,576	$79,552
PDC	$8,264,877	2.747%	$580,277	$654,079
TOTAL All Funds.....	$300,857,371	100.00000%	$21,123,195	$23,809,748

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.

	2012	2013	2014
Out-Year Debt Service.....	$26,377,638	$27,354,788	$28,348,763