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

As Of.... 17-Jun-2003 Previous Forecast....... 30-Apr-2003

Financial Forecast For Council's Adopted Budget Closes GAP Between Resources And Requirements

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April 30th	Adopted	Difference			
Forecast	Budget	vs. Previous			
\$285,713,932	\$284,901,000	(\$812,932)			
\$1,835,615	\$2,833,619	\$998,004			
\$33,860,844	\$34,267,781	\$406,937			
\$2,847,681	\$1,525,188	(\$1,322,493)			
\$247,169,792	\$246,274,411	(\$895,381)			
\$285,713,933	\$284,901,000	(\$812,933)			
(\$0)	(\$0)	\$0			
\$0	\$0	\$0			
(\$0)	(\$0)	\$0			
\$0	\$0	\$0			
\$217,714	\$719,131	\$501,416			
	\$285,713,932 \$1,835,615 \$33,860,844 \$2,847,681 \$247,169,792 \$285,713,933 (\$0) \$0 (\$0)	Forecast         Budget           \$285,713,932         \$284,901,000           \$1,835,615         \$2,833,619           \$33,860,844         \$34,267,781           \$2,847,681         \$1,525,188           \$247,169,792         \$246,274,411           \$285,713,933         \$284,901,000           (\$0)         \$0           (\$0)         \$0           (\$0)         \$0           \$0         \$0           \$0         \$0           \$0         \$0           \$0         \$0           \$0         \$0           \$0         \$0           \$0         \$0           \$0         \$0           \$0         \$0           \$0         \$0			

### Bureau & Set-Aside CSL Reductions Close Budget GAP

- ◆ This resource forecast is virtually unchanged from April 30th. Revenues have been adjusted to actual Adopted Budget overhead recovery numbers which were not available for the Mayor's Proposed Budget. The only other change to revenues is a \$12,932 reduction in Water Bureau franchise fees. Updated year-end balance estimates (periods 11 and 12 data) suggest that the \$8.4 million beginning balance will show-up.
- Bureau discretionary current service levels are down \$895,381 compared to April 30th. This is a result of an offsetting increase in overhead recovery revenues and matched by a discretionary revenue reduction of about the same amount. The capital set-aside is up about \$998,000 because the Fire apparatus budget is moved from contingency into the Bureau's budget for the purchase of apparatus..
- Overall bureau current service levels and Council set-asides have been reduced by about \$8 million compared to the original December current service level (CSL) estimates.

## Resource Outlook Revenues Unchanged

### For Adopted Budget

Forecast resources are technically unchanged compared to the April 30th estimate. The only difference being the true-up to actual overhead recovery for Council's Adopted Budget plus a \$12,932 reduction in Water bureau franchise fees.

### **Local Economy In Recession**

The metro-area's economy worsened during the Spring of calendar 2003. The area's unemployment rate is back over 8 percent and among the highest nationally for metropolitan areas.

### Police Contract Remains Unresolved

The financial forecast assumes CPI cost-of-living (COLA) adjustments for Police and medical care inflation on health benefits. If an eventual Police settlement exceeds this framework, the General Fund's current service level (CSL) increases. Council will ther have to further reduce CSL in order to rebalance the General Fund over the five-year forecast horizon.

	M50 Assess. Value \$1000 \$35,313,69	37 State Cigarette & Liquor
	FY2003-04 M50 Tax Base \$161,630,79	32 <b>Tax Revenues To City</b> \$9,480,137
	M50 Compression Loss (\$5,209,30	63) CPI-W Increase (December '01
Some	Est. Tax Base Imposed\$156,421,42	29 <b>To December '02) 0.4%</b>
Key	Delinquency/Discount(%)5.8	<b>%</b> Measure 50 FPD&R Levy \$92,021,622
Forecast	Delinquency/Discount (\$) (\$8,994,23	Beginning General Fund
Assump-	<b>FY04 Tax Base Revenues</b> ,\$147,427,19	97 <b>FY2003-04 Balance</b> \$8,349,114
tions	County M50 Levy \$182,287,14	6 Estimated Urban Renewal Di-
	Library-Local Option \$31,686,42	20 vide-The-Taxes (10 Districts) \$47,433,132
	<b>Total-County Levies</b> \$213,973,56	65 Current Forecast: FY2003-04 to FY2007-08

Forecast FY2003-04 resources are revised down by about \$812,932 compared to the previous April forecast. About \$800,000 of this amount is a technical adjustment that "trues-up" the discretionary revenue estimate to actual Adopted Budget General Fund overhead recovery which was not known at the time of the previous April forecast. Discretionary revenues were temporarily increased \$800,000 pending an expected and planned increase in bureau overhead recovery revenues calculated using Council's Approved Budget. Otherwise, the only change to the revenue forecast was a minor \$12,932 reduction

Water Bureau franchise	Revenue Forecast RECAP-First Year Budget, FY2003-04				
fee revenues.	General Fund	FY2003-04 Budget			
	Revenue Category	Approved	Adopted	Difference	
Business licenses have	Property Taxes	\$151,744,887	\$151,594,887	(\$150,000)	
gotten steadily worse	Transient Lodgings	\$10,978,701	\$10,978,701	\$0	
during the course of	Business Licenses	\$40,664,039	\$40,664,039	\$0	
FY2002-03. At period 11	Utility License/Franchise	\$57,648,925	\$57,235,993	(\$412,932)	
current year revenues	State Revenues	\$9,480,137	\$9,480,137	\$0	
appear to be about \$43	Interest Income	\$1,050,674	\$1,050,674	\$0	
million compared to last	Transfers IN	\$1,194,569	\$1,194,569	\$0	
year's \$45 million. An in-	Miscellaneous	\$4,602,887	\$4,352,887	(\$250,000)	
crease in the unemploy-	Revenue Forecast	\$277,364,819	\$276,551,887	(\$812,932)	
ment rate this Spring in-	Beginning FUND Balance	\$8,349,114	\$8,349,114	\$0	
dicates that revenues	Forecast Resources	\$285,713,932	\$284,901,000	(\$812,932)	
will decline through next	% Change In Revenues		-0.29%		
fiscal year.	% Change In Resources		-0.28%		

State shared tax revenues remain in the forecast at \$9.4 million for FY2003-04 and unchanged from last April. The State's deteriorating fiscal condition however, continues to threaten this important revenue

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of \$161.63 million, essentially unchanged since December. The forecast still calls for 2.9% assessed value growth, under the so-called 3% minimum. This assumes that slower growth during FY2002-03 was due to one-time factors that are unlikely to be repeated. This may not be the case. The property tax system as currently configured has never been through a recession and little is known about what the effects of recession on real market and assessed values on the tax rolls. This forecast includes both of Portland's new five-year local option levies. In addition, the FPD&R Levy is at \$92 million in this forecast, up \$17.4 million (23.2%) above an FY2002-03 levy amount of \$74.7 million. This large of an increase may materially increase compression on

Revenue Forecast ASSUMPTIONS				
Revenue Category	FY2003-04			
CITY Property Tax Levies				
Measure 50 Taxbase Levy	\$161,630,792			
Local Option & UR Special	\$43,307,460			
Measure 50 F&PD&R Levy(*)	\$92,021,622			
FPD&R, General Fund Total.	\$296,959,873			
MULTNOMAH County Levies				
Measure 50 Levy Authority	\$182,287,146			
Local Option Levy (Library)	\$31,686,420			
Mult. County Levy Total	\$213,973,565			
M50 Assessed Value Growth	2.9%			
Percent of FY2003-04 Levies				
Not Received First Year	-5.8%			
Measure 50 Compression	-3.2%			
Est. Portland Population	546,878			
GDP Growth (Economy.Com)	1.1%			
Revenue Sharing (State)	\$9,480,137			

the City's two local option levies and reduce actual reve- (\*) Adopted Budget

nues below current forecasts. The forecast assumes that property tax revenues continue to be generated under DOR's new Shilo-Inn tax collection rules. Pending legislation should make the rule permanent.

THE BOTTOM LINE: The forecast shows General Fund resources are unchanged compared to last April and remain \$2.4 million lower than the December financial forecast resource estimate. Council's Adopted Budget closes the \$7.6 million gap identified in the March forecast (done prior to the Mayor's Proposed Budget deliberations). Bureau current service levels have been reduced by \$7 million and Council set-asides have been reduced by about \$1 million compared to last December.

source.

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

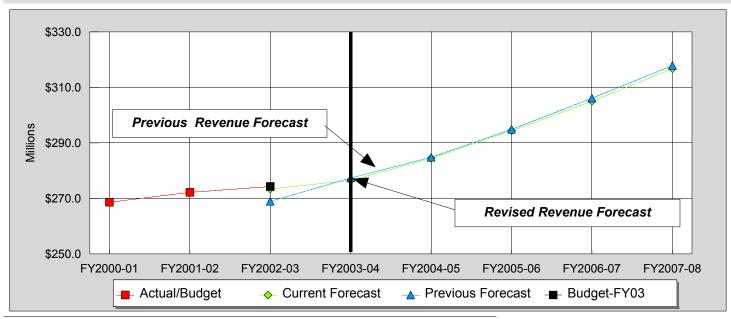


Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is a national economy that continues to recover from recession, eventually reviving the local economy. The Pacific Northwest however remains mired in recession and the national economy continues to struggle through a very weak recovery. The local economy remains in recession.

Figure 1 summarizes the 5 year revenue forecast off of the FY2002-03 base. Revenue growth remains critically dependent on assessed value growth. Revenue growth is forecast to average 3 percent over the next five years. The recession translates into a dip in revenues because of a sharp downturn in "cyclical" revenues such as business licenses and transient lodging taxes. Property taxes, under new Shilo Inn calculations rules remain a question mark.

Estimated FY2003-04 General Fund current service level (CSL) costs are \$246.274 million, versus the April estimate of \$247.168 million for FY2003-04 bureau CSL costs. Council's Adopted Budget CSL Budget includes a \$247.17 million CSL level. This is about \$7.1 million below the December CSL estimate as published in the December financial forecast document. The current forecast continues to assume a

Estimated Current Service Level Forecast				
Assumptions	FY2003-04			
FY2003-04 CSL Cost				
Previous CSL Forecast	\$247,169,792			
Adopted Budget CSL	\$246,274,411			
Difference In CSL Estimates				
General Inflation Rates				
GDP Price Deflator	1.6%			
CPI-% (Dec.'01-Dec.'02)	0.4%			
Benefits CAP Escalation	5.1%			
Producer Price Index	5.9%			
CPI-Energy	1.8%			
External M&S				
General-Overall	1.3%			
Energy-Electricity	-10.0%			
Energy-Gas	-20.0%			
Sewer	8.9%			
Water	4.0%			
Utilities-Overall	-5.3%			
Internal M&S				
General-Overall	1.3%			
Risk/Workers' Comp	2.5%			
Wage & Salary % Increase				
Public Safety	2.0%			
All Other	2.0%			
oto movi not ho ovigiloble until July				

13.4% PERS employer contribution rate. The actual rate may not be available until July.

A key assumption in this financial forecast is slower CSL growth. This results from lower inflation. There was little or no inflation in the Portland area overall as measured by the local CPI-W price index during the last half of calendar 2002. The actual December 2001 to December 2002 CPI-W increase was 0.4%. COLAs are assumed at 2 percent contractually required minimums.

COUNCIL set-asides, FY2003-04, as currently budgeted are shown in the table at the right as follows:

- The business license refund set-aside remains at \$6.4 million, but in two out of the last four years refunds have been at or above this level.
- The General Fund's cash position seems to have improved. The forecast continues to assume the fund fund will not have to issue tax anticipation notes (TANS).
- The capital set-aside net of related debt service requirements is now set at \$2.8 million. Debt service requirements are included in "Other Debt Service" and total about \$2.3 million for the FY2003-04 fiscal year.
- The compensation set-aside is revised to \$7.5 million and now includes a 2.2% COLA set-aside carry-over for the still unresolved Police labor contract. Benefits escalation of 5.1% equals year-over-year medical care inflation for the Portland area.

Forecast Council Set-Asides				
	Forecast FY2003-04			
Set-Aside Item	March	Adopted		
Compensation Set-Aside	\$6,061,302	\$7,536,302		
ESA(*) Set-Aside	\$933,183	\$933,183		
Street Light O&M	\$4,800,841	\$4,800,841		
General Fund Contingency	\$3,230,810	\$1,502,743		
Unforeseen & Inventory	\$2,000,000	\$2,000,000		
Subtotal-Contingency	\$5,230,810	\$3,502,743		
Capital Set-Aside (**)	\$1,835,615	\$2,833,619		
PDOT CSL Support	\$84,435	\$84,439		
2040/Town Centers	\$0	\$0		
Unemployment Insurance	\$0	\$0		
City Hall Debt Service	\$2,479,350	\$2,479,350		
POBS Debt Service	\$3,320,937	\$3,320,937		
Other Debt Service	\$2,090,483	\$2,320,483		
Business License Refunds	\$6,382,525	\$6,382,525		
City Hall Maintenance Reserve.	\$309,852	\$309,852		
Housing Trust Fund	\$495,757	\$495,757		
TANS Borrowing-Interest	\$0	\$0		
Transfer to Reserves	\$625,384	\$625,384		
CIPs O&M Set-Aside	\$567,566	\$567,566		
Early Childhood Development	\$0	\$0		
BIT Transfers	\$478,419	\$818,419		
Miscellaneous Transfers	\$0	\$90,000		
Total Budgeted/Council				
<b>Estimated Council Set-Asides</b>		\$37,101,400		
Difference versus Previous Fo	recast	\$1,404,941		

(\*) Endangered Species Act (ESA) (\*\*) Net of capital related debt service.

The set-aside reflects the new Fire contract and assumes that Police contract is resolved with a CPI-W COLA and health benefits increases tied to local medical care inflation.

### Adopted Budget Current Service Level (CSL) Requirements General Fund Financial Model

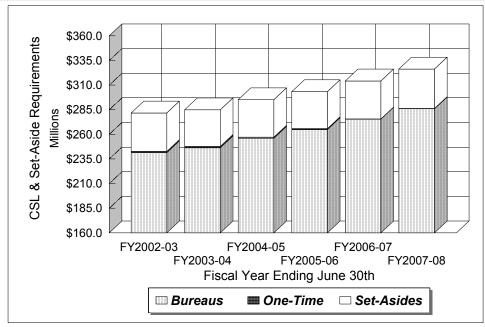


Figure 2-Current Service Level (CSL) Requirements

**Set-asides are up, net, about** \$1.4 million compared to the previous forecast.

Other set-asides in Council's second year budget include Pension Obligation Bond debt service costs of about \$3.32 million Costs are lower because variable rate debt service is lower.

The Early Childhood Development set-aside is eliminated because of passage of the Children's local option levy.

PDOT CSL support is shown as included in Council's Adopted Budget and is about \$1 million lower than orginially forecast.

### The table at the right combines the FY2003-04 resource forecast with fund CSL forecast estimates

for FY2003-04. Resources total an estimated \$284.901 million. Deducting setasides of \$37.101 million leaves about \$247.799 million for on-going CSL programs plus one-time budgets.

The resources requirement gap has has been eliminated for Council's Adopted Budget through a combination of on-going bureau CSL reductions along with over \$1 million of reductions in Council set-asides. The General Fund is balanced for FY2003-04 and over the life of the five-year forecast horizon.

Sources & Uses of Funds: Financial Forecast FY2002-03			
	Budget	FY2003-04	
Item	FY2002-03	Adopted	
Forecast FUND Revenues	\$276,295,286	\$276,551,887	
Beginning FUND Balance	\$5,271,367	\$8,349,114	
Total FUND RESOURCES	\$281,566,653	\$284,901,000	
Less: Council Set-Asides	(\$36,407,230)	(\$34,267,781)	
Less: Capital Set-Aside	(\$2,582,950)	(\$2,833,619)	
EQUALS: AVAILABLE TO			
BUREAUS-PROGRAMS	\$242,576,474	\$247,799,600	
Bureaus CSL Requirement	\$242,576,474	\$247,799,600	
EST. GAP, DIFFERENCE	\$0	(\$0)	
<b>AVAILABLE ON-GOING FY2003</b>	\$0		
New One-TimeFY2003-04	(\$0)		

The "Adopted" column, shows that forecast FY2003-04 resources, and more importantly out-year resources are sufficient to fund lowered General Fund current service level (CSL) costs as embodied in the Council's Adopted FY2003-04 Budget:

- The expected decline in resources that has occurred with recession has been offset with reductions in CSL requirements and Council Set-Asides. The Adopted Budget and five-year financial plan realigns requirements with expected resources.
- Last year Council reduced bureau current service levels by \$9.87 million and cut back Council set-sides by another \$3.8 million. Proposed Budget reductions of about \$8 million will bring the two-year total to about \$21.6 million.

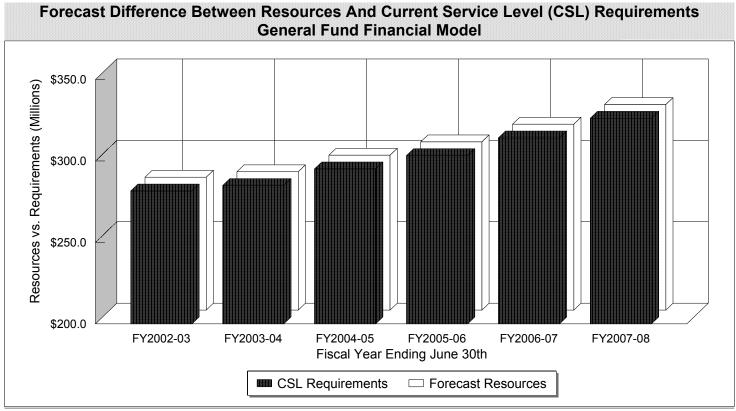


Figure 3-Financial Forecast Resources Compared To Requirements
Financial Forecast (FORC04AB) 17-Jun-2003

#### 2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total \$579.998 million for two years ending FY2004-05.
- Estimated requirements total \$579.279 million over two years.
- The General Fund is balanced at a lowered CSL level with reduced Council Set-Asides. There appears to be about \$719,131 available, one-time, FY2004-05.

	Resources & Requirements Summary Next Two Years			
	Budget Current 2 Year Forecast FY2003-03 FY2003-04 FY2004-05 Total			
	FY2003-03	FY2003-03 FY2003-04 FY2004-05		
Item-Category ▼ Resources ->	\$281,566,653	\$284,901,000	\$295,097,235	\$579,998,235
Less: Assumed Set-Asides				
TANS Interest Expense	\$349,589	\$0	\$0	\$0
Compensation Set-Aside	\$8,053,712	\$7,536,302	\$6,333,763	\$13,870,065
Other Set-Asides				
Contingency	\$1,682,248	\$1,502,743	\$1,400,000	\$2,902,743
Unforeseen Reimbursable	\$2,000,000	\$2,000,000	\$2,000,000	\$4,000,000
Subtotal-Contingency	\$3,682,248	\$3,502,743	\$3,400,000	\$6,902,743
Capital Set-Aside	\$2,582,950	\$2,833,619	\$2,833,620	\$5,667,239
PERS Debt Service	\$3,843,602	\$3,320,937	\$5,077,442	\$8,398,379
Other General Fund Debt Service	\$2,977,549	\$2,320,483	\$2,140,873	\$4,461,355
City Hall/Precincts-Debt Service	\$2,479,350	\$2,479,350	\$2,479,350	\$4,958,700
Street Light O&M Transfer		\$4,800,841	\$4,948,899	\$9,749,740
2040 Planning		\$0	\$0	\$0
PDOT CSL Support	\$84,795	\$84,439	\$86,354	\$170,793
Unemployment Insurance	\$500,000	\$0	\$0	\$0
Business License Refunds	\$5,551,863	\$6,382,525	\$5,553,531	\$11,936,056
City Hall Maintenance Reserve	\$316,800	\$309,852	\$309,713	\$619,565
ESA Set-Aside		\$933,183	\$929,829	\$1,863,012
Early Childhood Development		\$0	\$0	\$0
CIPs Related O&M Costs		\$567,566	\$790,449	\$1,358,015
Housing Trust Fund	\$55,652	\$495,757	\$505,350	\$1,001,107
Miscellaneous Transfers	. ,	\$715,384	\$2,132,749	\$2,848,133
BIT Transfer	. ,	\$818,419	\$492,029	\$1,310,448
Subtotal, Assumed Set-Asides		\$37,101,400	\$38,013,950	\$75,115,351
Bureau Requirements + One-Time		\$247,799,599	\$256,364,154	\$504,163,753
Total Requirements	\$281,566,653	\$284,901,001	\$294,378,104	\$579,279,104
Resources less Requirements				
Equals Excess(+)/CSL Gap(-)		(\$0)	\$719,131	
On-Going Program Reductions		\$0	\$0	\$0
Available One-Time	. \$0	(\$0)	\$719,131	\$719,131

### FY2003-04 Through FY2007-08 Financial Forecast Summary

- This financial forecast shows that General Fund's current service levels have been adjusted to a local economy that is still in the grips of recession. Resources forecast in both the initial December and subsequent financial forecasts were insufficient to fund current service levels as embodied in Council's Adopted FY2002-03 Budget. Council's Adopted Budget reduces current service levels and closes the budget gap in order to balance the General Fund and realign CSL requirements over the life of the five-year forecast horizon. The Police contract however, remains an unknown financial requirement.
- This financial forecast makes the assumption that \$1.7 million of excess reserves are used over the life of the five-year forecast with the bulk of this use occurring in the last three years of the forecast. The General Reserve Fund is expected to remain fully funded at the 10% level.
- The scenario used for the 5-year forecast is realistic. Legislative or voter actions that reduce property tax revenues, state shared cigarette and liquor revenues, or franchise fees upsets the forecast. The possibility of a deeper or longer lasting recession continues to represent more of a risk to the five-year forecast than at any time during the recent past.

#### Out-Year Detail Of 5-Year Financial Forecast

The financial forecast shows a five-year forecast that is balanced with the General Reserve Fund remaining at the required 10% level throughout the five-year forecast horizon. The General Fund is balanced at a lower CSL level as required by the financial forecast. The table (below) summarizes the five-year financial forecast as it currently stands given Council's previous five-year financial plan and budget outcomes. The current CSL cost forecast does not assume higher capital set-asides as scheduled in past forecasts. Last year Council rescinded adopted Resolution #33526 (at budget adoption) which had previously required \$1 million annual increases in the capital set-aside.

	Adopted	Next Two-Year Budget		Out-Years (	Of Forecast
Item	2004	2005	2006	2007	2008
Total Resources	\$284,901,000	\$295,097,235	\$302,990,069	\$313,616,885	\$325,272,907
Transfer In From					
General Reserve	\$0	\$0	\$292,358	\$528,501	\$924,080
Bureaus & Programs	\$246,274,412	\$256,011,376	\$264,852,112	\$275,570,139	\$285,943,263
Capital Set-Aside	\$2,833,619	\$2,833,620	\$2,833,620	\$2,833,620	\$2,833,620
Est. CSL Reduction	\$0				
Planned One-Time	\$1,525,188	\$352,778	\$0	\$0	\$0
New One-Time	\$0	\$719,131	\$927,077	\$76,170	\$299,501
Pension Bonds P&I	\$3,320,937	\$5,077,442	\$6,813,860	\$7,787,710	\$8,544,873
Council Set-Asides	\$30,946,841	\$30,102,888	\$27,855,758	\$27,877,748	\$28,575,730
Total Requirements	\$284,900,997	\$295,097,235	\$303,282,427	\$314,145,387	\$326,196,987
Difference	\$3	\$0	(\$0)	(\$0)	(\$0)
Reserve Fund As A					
Percent Net Revenues	10.1%	11.0%	10.9%	10.7%	10.5%

### Risks To The Financial Forecast

This forecast assumes that the recession lasts well into calendar 2003 with local recovery starting during early 2004. There are several uncertainties that could adversely affect this forecast:

- National and regional economies that are in danger of lapsing back into recession.
- The long term effect of the Shilo-Inn rule on property tax collections is not known.
- PERS is still grappling with system funding problems that may further increase employer costs.
- Oregon continues to grapple with large state budget shortfalls, the resolution of which could could easily have an adverse impact on cigarette and liquor tax revenues shared with cities.
- Business License restructuring around a payroll tax may affect long term revenue growth.

Two-Year Forecast Resources-By Budget Category Detail				
Category	FY2002-03	3 FY2003-04 FY2004-05		
RESOURCES	Budget	Adopted	2nd Year	
Property Taxes		•		
Current Year Taxes	\$145,382,226	\$147,427,197	\$152,609,344	
Prior Year Taxes	\$3,036,202	\$3,461,175	\$3,190,764	
Payment in Lieu of Taxes	\$617,767	\$706,515	\$706,515	
Total Property Taxes	\$149,036,195	\$151,594,887	\$156,506,624	
Other Taxes				
Lodging Tax	\$10,488,630	\$10,978,701	\$11,236,749	
Licenses & Permits				
Business Licenses	\$46,640,528	\$40,664,039	\$41,063,194	
Utility License-External	\$37,275,724	\$41,351,554	\$42,271,160	
State Sources(*)				
State Shared Revenue	\$8,868,233	\$9,480,137	\$9,699,413	
Local Government				
Local Shared Revenue	\$2,715,251	\$2,302,887	\$2,581,756	
Miscellaneous Revenues				
Refunds	\$30,000	\$30,000	\$30,000	
Interest on Investments	\$1,471,022	\$1,050,674	\$1,284,581	
Other Misc. Revenues				
Other Misc. Revenues	\$20,000	\$20,000	\$20,000	
Unforeseen Reimbursable	\$2,000,000	\$2,000,000	\$2,000,000	
Transfers, Other Funds				
Utility License-Internal				
Water Operating	\$3,917,219	\$4,117,006	\$4,483,999	
Sewer Operating	\$10,417,152	\$11,767,433	\$12,676,050	
Miscellaneous				
Parking Facility-Tax Offset		\$208,074	\$214,316	
Hyro-Fund Transfer	\$200,000	\$200,000	\$200,000	
Fleet Transfer	\$1,360,853	\$0	\$0	
Refuse Disposal	\$55,000	\$55,000	\$55,000	
HCD-Indirect	\$133,690	\$231,495	\$133,690	
Federal Grants-Indirect	\$0	\$0	\$0	
Transfer-General Reserve	\$1,463,775	\$0	\$0	
Other Transfers	\$0	\$500,000	\$0	
Subtotal-Transfers, Misc.	\$3,415,332	\$1,194,569	\$603,006	
Beginning Fund Balance				
Unencumbered	\$5,271,367	\$8,349,114	\$10,640,703	
TOTAL DISCRETIONARY	\$281,566,653	\$284,901,000	\$295,097,235	
Checksum Total-Page 2	\$281,566,653	\$284,901,000	\$295,097,235	
Checksum Difference	\$0	\$0	\$0	

<sup>(\*)</sup> Cigarette & liquor tax distributions to General Fund from State of Oregon

This table shows the resource forecast by budget categories as they appear in City's budget document. The italicized categories are identical to line items on the summary on page 2. Local Shared Revenues and Miscellaneous Revenues are collapsed into one simplified category on page 2 (Misc. & Local Shared) but are shown here in budget detail.

The Financial Forecast is written and produced by D.S. Barden, City Economist, Kourosh Ghaemmaghami, Economist, Bureau of Financial Planning dbarden@ci.portland.or.us (503-823-6954) and kmaghami@ci.portland.or.us (503-823-6957)

### <u>Discussion of PERS Pension Obligation Bonds (POBS) Debt Service Schedule</u>

In November of 1999, the City sold \$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.

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	Bureau PERS	Percentage	FY2003-04	FY2004-05
FUND	Liability	Allocation	\$8,841,947	\$13,399,419
General Fund Bureaus.		37.55889%	\$3,320,937	\$5,032,672
Unused Line		0.00000%		
	\$0	0.00000%	\$0 \$0	\$0 \$0
Unused Line	\$0		\$0 \$0	\$0
Unused Line	\$0	0.00000%	\$0	00
Unused Line	\$0	0.00000%	\$0	\$0
Subtotal	\$112,995,285	37.55889%	\$3,320,937	\$5,032,672
PDOT (net)	\$55,353,650	18.39919%	\$1,626,846	\$2,465,384
BOEC (net)	\$2,863,692	0.95187%	\$84,164	\$127,545
Buildings (OPDR)	\$14,372,047	4.77717%	\$422,395	\$640,113
BES	\$39,339,045	13.07604%	\$1,156,176	\$1,752,113
Hydroelectric	\$301,519	0.10022%	\$8,862	\$13,429
WATER	\$40,857,865	13.58088%	\$1,200,815	\$1,819,760
Golf Operating	\$2,463,623	0.81889%	\$72,406	\$109,727
PIR	\$474,262	0.15764%	\$13,939	\$21,123
Refuse Disposal	\$765,029	0.25429%	\$22,484	\$34,073
Environ. Remediation	\$17,662	0.00587%	\$519	\$787
Parks Bond Const.	\$1,364,843	0.45366%	\$40,113	\$60,788
Parks Construction	\$22,806	0.00758%	\$670	\$1,016
Facilities Services	\$2,448,975	0.81402%	\$71,975	\$109,074
Fleet Operating	\$5,754,908	1.91289%	\$169,137	\$256,317
Print & Distribution	\$1,950,219	0.64824%	\$57,317	\$86,860
BIT	\$4,415,663	1.46774%	\$129,777	\$196,668
Insurance & Claims	\$1,074,630	0.35720%	\$31,583	\$47,863
Health Insurance	\$454,732	0.15115%	\$13,365	\$20,253
LID	\$1,025,120	0.34074%	\$30,128	\$45,658
FPD&R	\$613,557	0.20394%	\$18,032	\$27,327
Unused Line	\$0	0.00000%	\$0	\$0
Comm. Services	\$2,424,160	0.80577%	\$71,246	\$107,969
Public Safety Fund	\$225,242	0.07487%	\$6,620	\$10,032
Worker Comp. Oper.	\$1,005,184	0.33412%	\$29,542	\$44,770
PDC	\$8,264,628	2.74711%	\$242,898	\$368,096
TOTAL All Funds	\$300,848,346	100.00000%	\$8,841,947	\$13,399,419

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

	2006	2007	2008
Out-Year Debt Service	\$17,981,842	\$20,551,842	\$22,550,003

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.