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

As Of... 20-Feb-2004 Previous Forecast..... 28-Nov-2003

FInancial Forecast: Resources Remain Insufficient To Fund FY2004-05 Current Appropriation Levels

Item	December Foreast	March Foreast	Difference vs. Previous
Council Discretionary Available FY2004-05.....	*$285,101,571*	*$285,481,858*	*$380,286*
Requirements:			
Capital Set-Aside.....	*$1,813,044*	*$1,813,044*	*$0*
Council Set-Asides.....	*$28,891,298*	*$27,444,347*	*($1,446,951)*
One-Time Bureaus	*$458,308*	*$458,308*	*$0*
Bureaus & Programs.....	*$256,225,717*	*$255,603,229*	***($622,487)***
CAL Requirements..	*$287,388,367*	*$285,318,928*	*($2,069,439)*
Resources Less CAL	*($2,286,795)*	*$162,929*	*$2,449,724*
Programs FY04-05.....	*($2,818,483)*	*($1,150,215)*	*$1,668,268*
Available One-Time...	***$531,687***	*$1,313,144*	*$781,457*
Programs FY05-06.....	***$0***	*$0*	***$0***
Available One-Time.....	***($0)***	***$176,855***	***$176,855***

Gap Between Resources And Requirements Narrows

- *The revised resource forecast for FY2004-05 is up marginally about $380,286 compared to the previous forecast. Both forecast revenues and the beginning balance estimate are maginally higher.*
- *Bureau Current Appropriation Level estimates are lower in this forecast because bureau discretionary requirements have been offset by higher overhead revenue recovery estimates. Set-asides are down about $1.45 million net, due to a lower compensation set-aside requirement. The actual December to December CPI-W increase in the Portland was under 2 percent. The July 1, 2004 COLA will be 2 percent versus the original December forecast assumption of a 2.37% COLA.*
- *Reducing current allocation levels by $1.150 million or by about 0.5% balances the General Fund over the life of the five-year forecast. This represents a small improvement over the December forecast. Available one-time resources are increased in this forecast from $531,687 to about $1.313 million.*

Resource Outlook

Regional Economy Had A Bad Calendar 2003

Metropolitan and Oregon unemployment data continue to paint a picture of state and regional economies that are in recession For both the state and region, calendar 2003 was the worst year out of the last three. In December the Bureau of Labor Statistics noted that New York City and the Portland metro-area reported the highest unemployment rates at 7.2 and 7.0 percent respectively. In addition, the BLS reports that nonfarm employment in the metro-area was 11,800 below year-ago levels.

Police Contract In Final Stages Of Arbitration

The financial forecast assumes CPI cost-of-living (COLA) adjustments for Police and medical care inflation for health benefits. Interest arbitration with the Portland Police Association (PPA) is almost concluded. The arbitrator will make an award sometime late this spring. An award to PPA means Council will face a wider gap and will have to rebalance the General Fund.

Some Key Forecast Assumptions

M50 Assess. Value $1000....	$35,910,103	***State Cigarette & Liquor Tax Revenues To City.....***	*$9,702,996*
FY2003-04 M50 Tax Base....	$164,360,541		
M50 Compression Loss.....	*($6,791,274)*	***CPI-W Increase (2nd Half '02 To 2nd Half '03, for COLAs)(*).***	***2.0%***
Est. Tax Base Imposed.....	$157,569,268		
Delinquency/Discount(%)....	*-5.7%*	***Measure 50 FPD&R Levy.....***	*$86,522,327*
Delinquency/Discount ($)....	*($8,981,448)*	***Beginning General Fund FY2004-05 Balance.....***	*$10,209,193*
FY04 Tax Base Revenues....	$148,587,819		
County M50 Levy.....	$186,281,401	***Estimated Urban Renewal Divide-The-Taxes (10 Districts)..***	***$51,944,622***
Library-Local Option.....	$32,380,729		
Total-County Levies.....	*$218,662,130*	***Current Forecast: FY2004-05 to FY2008-09***	

Forecast FY2004-05 resources are revised up by about $380,286 compared to the previous December forecast. Revenues are essentially unchanged with increases in business license revenues and property taxes offsetting declines in state shared (cigarette and liquor) revenues and franchise or utility license fees Discretionary revenues are nominally up a few thousand dollars but, for all practical purposes forecast to forecast revenues are unchanged. Forecast beginning fund balance is increased in this forecast by $224,657 based on General Fund expenditure and resource estimates through January 14th (Period 7, accounting reports).

Revenue Forecast RECAP-First Year Budget, FY2004-05			
General Fund Revenue Category	FY2004-05		
	Previous	Current	Difference
Property Taxes.....	**$153,107,375**	**$153,173,082**	$65,708
Transient Lodgings.....	**$10,843,695**	**$10,811,022**	($32,672)
Business Licenses.....	**$37,046,619**	**$37,753,965**	$707,345
Utility License/Franchise.....	**$58,448,202**	**$57,976,991**	($471,210)
State Revenues.....	**$9,816,537**	**$9,702,996**	($113,541)
Interest Income.....	**$755,533**	**$755,533**	$0
Transfers IN.....	**$603,006**	**$603,006**	$0
Miscellaneous.....	**$4,496,069**	**$4,496,069**	$0
Revenue Forecast.....	**$275,117,035**	**$275,272,665**	$155,630
Beginning FUND Balance....	**$9,984,536**	**$10,209,193**	$224,657
Forecast Resources.....	**$285,101,571**	**$285,481,858**	$380,286
% Change In Revenues.....		**0.06%**	
% Change In Resources.....		**0.13%**	

Utility license, franchise fees are down in this revised forecast by about $471,210. This is due almost entirely to a drop in projected PGE franchise fee revenues. PGE franchise fees have continued to deteriorate during the current fiscal year. The forecast has been adjusted down by about $470,00 reflecting recent poor experience.

Most other revenue categories are not much different than December, although business license revenues are up slightly from last December.

Revenue Forecast ASSUMPTIONS	
Revenue Category	**FY2004-05**
CITY Property Tax Levies.....	
Measure 50 Taxbase Levy.....	$164,360,541
Local Option & UR Collections	$96,247,121
Measure 50 F&PD&R Levy(*)....	$86,522,327
FPD&R, General Fund Total.	**$347,129,989**
MULTNOMAH County Levies	
Measure 50 Levy Authority.....	$186,281,401
Local Option Levy (Library).....	$32,380,729
Mult. County Levy Total.....	**$218,662,130**
M50 Assessed Value Growth....	2.8%
Percent of FY2004-05 Levies Not Received First Year.....	-5.7%
Measure 50 Compression.....	**-4.1%**
Est. Portland Population.....	548,662
GDP Growth (Economy.Com)....	**1.1%**
Revenue Sharing (State).....	$9,702,996

(*) Preliminary forecast

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of $164.36 million. This is unchanged compared to December. The forecast calls for 2.5% assessed value growth; under the so-called 3% minimum. This assumes that slower growth the last two years was due to systemic factors that are likely to be repeated. It is now apparent that the recession has negatively impacted commercial and industrial assessed and real market values. New construction outside of urban renewal districts is slow. During recessions, under this system, property tax revenue growth slows down. In addition, large increases in both urban renewal collections and the FPD&R Levy appear to have increased compression by at least two full percentage points. FPD&R or urban renewal increases beyond the current forecast may result in added compression and could reduce actual revenues below current forecasts. The forecast assumes that property tax revenues continue to be generated under DOR's new Shilo-Inn tax rules for urban renewal collections.

THE BOTTOM LINE: The forecast shows General Fund resources are not much changed compared to last December, but revenues and beginning balance are up a little since last December. The Mayor's proposed budget process will have to close the $1.15 million gap identified in this forecast, most likely through CAL reductions. Reducing bureau current allocation levels by about 0.5% closes the identified "CAL gap" and balances the General Fund over the life of the five-year forecast.

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

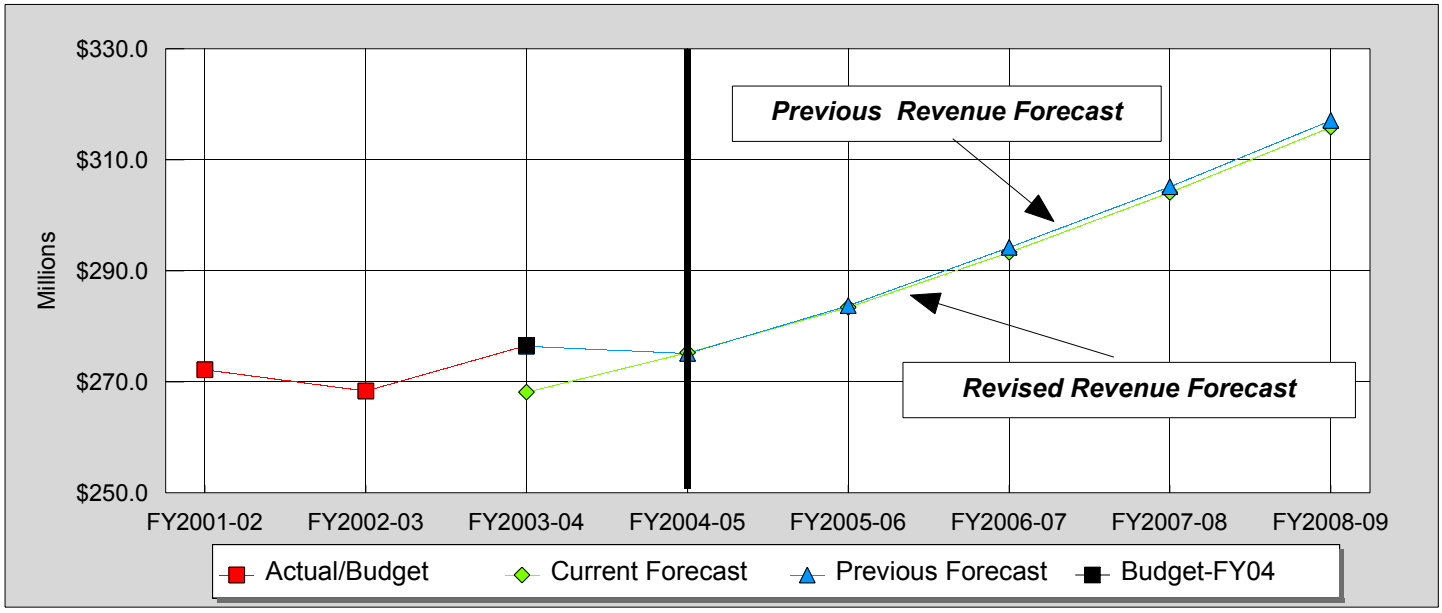

Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is a national economy that continues to 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 FY2003-04 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 FY2004-05 General Fund current allocation level (CAL) costs are $255.603 million, versus last December's $256.225 million for FY2004-05 bureau CAL costs. Bureaus' CAL targets are down about $622,487 in this forecast, net. Fire's target now includes $1 million for equipment within target so this makes targets look higher. About $1.8 million in PERS savings have been taken out of targets. The PERS employer contribution rate is at 10.3% for FY2004-05.

Estimated Current Allocation Level Forecast Assumptions	FY2004-05
FY2004-05 CAL Cost	
Previous CAL Forecast.....	$256,225,717
Current CAL Forecast.....	$255,603,229
Difference In CAL Estimates.....	*($622,487)*
General Inflation Rates.....	
GDP Price Deflator.....	1.4%
CPI-W% (Dec.'02-Dec.'03)..(*)...	**2.0%**
Benefits CAP Escalation.....	**2.2%**
Producer Price Index.....	4.6%
CPI-Energy.....	1.5%
External M&S.....	
General-Overall.....	1.9%
Energy-Electricity.....	6.0%
Energy-Gas.....	6.0%
Sewer.....	8.9%
Water.....	4.0%
Utilities-Overall.....	6.2%
Internal M&S.....	
General-Overall.....	1.9%
Risk/Workers' Comp.....	2.6%
Wage & Salary % Increase.....	
Public Safety.....	**2.0%**
All Other.....	**2.0%**

(*) COLA defaults to 2%, actual CPI-W increase was 1.5%.

This financial forecast continues to benefit, like previous forecasts from slower CAL growth. This results from lower inflation in the Portland area overall as measured by the local CPI-W price index over the last couple of years. The actual December 2002 to December 2003 CPI-W increase as published by the Bureau of Labor Statistics was 1.5%. Medical care inflation was 2.2% for the last twelve months.

COUNCIL set-asides, FY2004-05, as currently estimated are shown in the table at the right as follows:

- The business license refund set-aside is zeroed out consistent with the new accounting method employed for business license revenues.

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

- The capital set-aside (net of related debt service requirements) is set at $1.8 million net of $1 million now included in Fire's target. Capital related "Other Debt Service" totals about $2.1 million for FY2004-05.

- The compensation set-aside is revised to $4.8 million. This assumes a 2.0% COLA, plus medical benefits inflation of 2.2%. This is about $1.6 million below last December. The Police contract however, remains unresolved. This set-aside estimate does reflect last year's Fire contract and assumes that Police contract is resolved with a CPI-W COLA and health benefits increases tied to local medical care inflation. Anything higher upsets the forecast.

Forecast Council Set-Asides

Set-Aside Item	Forecast FY2004-05 December	Forecast FY2004-05 *Current*
Compensation Set-Aside.....	$6,419,927	$4,813,203
ESA(*) Set-Aside.....	$934,295	$934,295
Street Light O&M.....	$5,033,215	$5,032,955
General Fund Contingency.....	$1,400,000	$1,400,000
Unforeseen & Inventory.....	$2,000,000	$2,000,000
Subtotal-Contingency	$3,400,000	$3,400,000
Capital Set-Aside (**)**.....	***$1,813,044***	***$1,813,044***
PDOT CAL Support.....	$86,546	$86,078
Unused Line.....	$0	$0
Unused Line.....	$0	$0
City Hall Debt Service.....	$2,479,350	$2,479,350
POBS Debt Service.....	$4,177,232	$4,177,232
Other Debt Service.....	$2,140,873	$2,140,873
Business License Refunds.....	***$0***	***$0***
City Hall Maintenance Reserve.	$309,800	$309,800
Housing Trust Fund.....	$505,350	$505,350
TANS Borrowing-Interest	$0	$0
Transfer to Reserves.....	$1,859,817	$2,023,263
CIPs O&M Set-Aside.....	$672,649	$669,704
Econ. Develop. Fund(***).....	$380,000	$380,000
BIT Transfers.....	$492,244	$492,244
Miscellaneous Transfers.....	$0	$0
Total Budgeted/Council Estimated Council Set-Asides	**$30,704,342**	**$29,257,390**
Difference versus Previous Forecast.....		**($1,446,951)**

(*) Endangered Species Act (**) Net capital related debt service(***)Net of any carryover

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

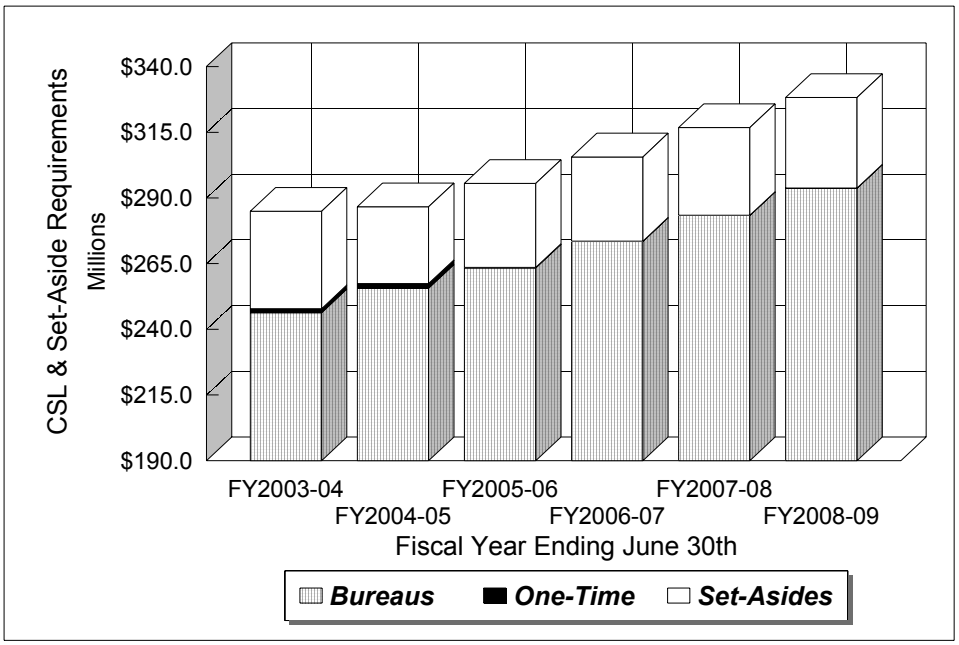

Figure 2-Current Service Level (CAL) Requirements

Other set-asides in Council's current financial plan include Pension Obligation Bond debt service costs of about $4.177 million as estimated by Debt Management.

With an exception for elimination of business license refunds and a lower compensation set-aside, current estimates are about the same as assumed last December. The transfer out to reserves is about $163,000 higher than last December's forecast.

Set-asides are down net $1.446 million compared to the previous forecast.

The table at the right combines the FY2004-05 resource forecast with fund CAL forecast estimates for FY2004-05. Resources total an estimated $285.481 million. Deducting set-asides of $29.257 million leaves about $256.224 million for on-going CAL program plus one-time budgets.

A gap remains between resources available for bureau current allocation level programs and requirements. Balancing the General Fund over the course of the five-year forecast requires an overall reduction in General Fund current allocation levels of $1.150 million or 0.5%. About $1.31 million of new one-time budget is available.

Sources & Uses of Funds: Financial Forecast FY2004-05		
	Budget	FY2004-05
Item	FY2003-04	***Forecast***
Forecast FUND Revenues.....	$276,551,887	$275,272,665
Beginning FUND Balance.....	$8,349,115	$10,209,193
Total FUND RESOURCES	*$284,901,002*	*$285,481,858*
Less: Council Set-Asides.....	($34,267,781)	($27,444,347)
Less: Capital Set-Aside.....	($2,833,619)	($1,813,044)
EQUALS: AVAILABLE TO BUREAUS-PROGRAMS.....	$247,799,602	$256,224,467
Bureaus CAL Requirement.....	$247,799,602	$256,061,537
EST. GAP, DIFFERENCE.....	**$0**	**$162,930**
AVAILABLE ON-GOING FY2004-05.....		**($1,150,215)**
New One-Time...FY2004-05.....		**$1,313,144**

The "Forecast" column, shows that forecast FY2004-05 resources, and more importantly out-year resources remain insufficient to fund lowered General Fund current allocation level (CAL) costs as as embodied in the Council's previous FY2003-04 Adopted Budget and financial plan:

- Resources estimates continue to be impacted by the length and severity of this recession. The continuing decline in resources relative to requirements means that this year's budget process for the FY2004-05 budget will have to remain focused on reducing General Fund current allocation levels.

- Last year Council reduced bureau current allocation levels by $8 million on top of cuts of about $9.7 million the previous year. This brings expected total CAL reductions to about $19 million over the last three years.

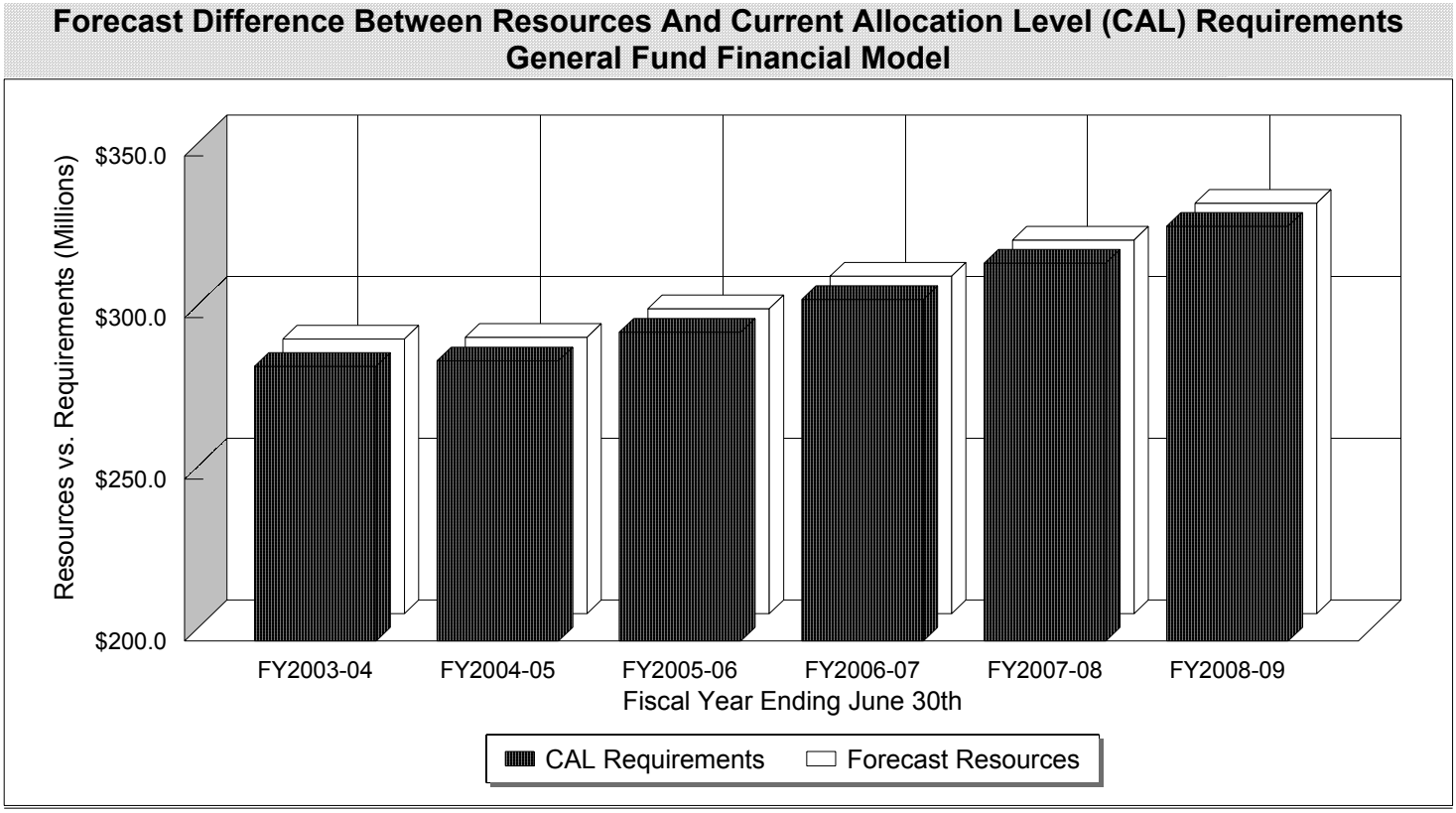

Figure 3-Financial Forecast Resources Compared To Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total $579.795 million for two years ending FY2005-06.
- Estimated requirements total $579.455 million over two years.
- The General Fund can only be balanced at a lowered CAL level and or reduced Council Set-Asides. There appears to be about $1.15 million on-going CAL gap for FY2004-05.

	Resources & Requirements Summary Next Two Years			
	Budget	Current 2 Year Forecast		
	FY2003-04	FY2004-05	FY2005-06	Total
Item-Category ▼ Resources →	$284,901,002	$285,481,858	$294,313,238	***$579,795,096***
Less: Assumed Set-Asides				
TANS Interest Expense	$0	$0	$0	$0
Compensation Set-Aside	$7,196,302	$4,813,203	$6,045,359	$10,858,562
Other Set-Asides				
Contingency	$1,502,743	$1,400,000	$1,400,000	$2,800,000
Unforeseen Reimbursable	$2,000,000	$2,000,000	$2,000,000	$4,000,000
Subtotal-Contingency	$3,502,743	$3,400,000	$3,400,000	$6,800,000
Capital Set-Aside	$2,833,619	$1,813,044	$1,789,539	$3,602,583
PERS Debt Service	$3,320,937	$4,177,232	$5,808,937	$9,986,169
Other General Fund Debt Service	$2,320,483	$2,140,873	$1,205,493	$3,346,365
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	$5,032,955	$5,194,358	$10,227,313
Transfer To General Reserve	$625,384	$2,023,263	$2,463,547	$4,486,810
PDOT CAL Support	$84,439	$86,078	$88,182	$174,261
Unemployment Insurance	$0	$0	$0	$0
Business License Refunds	$6,382,525	$0	$0	$0
City Hall Maintenance Reserve	$309,852	$309,800	$309,800	$619,600
ESA Set-Aside	$933,183	$934,295	$955,946	$1,890,242
Economic Development Fund.(*)	$340,000	$380,000	$380,000	$760,000
CIPs Related O&M Costs	$567,566	$669,704	$777,116	$1,446,820
Housing Trust Fund	$495,757	$505,350	$516,568	$1,021,918
Miscellaneous Transfers	$90,000	$0	$0	$0
BIT Transfer	$818,419	$492,244	$496,068	$988,312
Subtotal, Assumed Set-Asides	$37,101,400	$29,257,390	$31,910,264	$61,167,654
Bureau Requirements + One-Time	$247,799,602	$256,061,537	$262,226,119	$518,287,656
Total Requirements	$284,901,002	$285,318,928	$294,136,383	**$579,455,310**
Resources less Requirements Equals Excess(+)/CAL Gap(-)	$0	**$162,930**	**$176,855**	
On-Going Program Reductions	$0	**($1,150,215)**	**$0**	**($1,150,215)**
Available One-Time	$0	**$1,313,144**	**$176,855**	**$1,489,999**

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

FY2004-05 Through FY2008-09 Financial Forecast Summary

- *This financial forecast shows that General Fund current allocation levels again need adjustment to a local economy that remains sluggish and in the recession. In this resource forecast resources are still insufficient to fund current allocation levels as embodied in Council's Adopted FY2003-04 Budget. Council's budget process for FY2004-05 must continue to focus on a main task of "paring" current allocation levels in order to close the budget gap and realign CAL requirements with resources over the life of the five-year forecast horizon. The Police contract however, is still in arbitration and remains an unknown financial requirement.*

- *This financial forecast makes the assumption that $5.5 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 upset 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 balances the General Fund in the out-years of the forecast by using excess reserves. The use of excess reserves offsets the rising POB debt service costs as well as the increase in on-going costs associated with bringing a new fire station on line. This means that in the early years, the General Reserve Fund peaks out at about 11.7% of net revenues falling to 10.1% in FY2008-09. Alternatively, Council could commit all of the excess reserves now. This means that on-going reductions increase from $1.15 million to $3.81 million. One-time available to Council increases from $1.313 million to $4.783 million. This is the trade-off associated with using excess reserves now rather than later.

	Two-Year Budget Window		**Following Two-Year Budget**		**Out-Year**
Item	2005	2006	2007	2008	2009
Total Resources.....	$285,481,858	$294,313,238	$303,520,687	$313,649,672	$324,195,798
Transfer In From General Reserve.....	$0	$0	$855,813	$1,886,180	$2,734,804
Bureaus & Programs.....	$255,603,230	$262,226,119	$272,233,179	$282,016,617	$292,364,019
Capital Set-Aside.....	$1,813,044	$1,789,539	$1,764,448	$1,836,997	$1,708,057
Est. CAL Reduction.....	***($1,150,215)***				
Planned One-Time.....	*$458,308*	*$0*	*$0*	*$0*	$0
New One-Time.....	*$1,313,144*	$176,855	$63,781	$54,461	$43,270
Pension Bonds P&I.....	***$4,177,232***	***$5,808,937***	***$7,787,709***	***$8,544,873***	***$8,955,396***
Council Set-Asides.....	$23,267,111	$24,311,788	$22,527,383	$23,082,904	$23,859,861
Total Requirements	$285,481,854	$294,313,238	$304,376,500	$315,535,851	$326,930,601
Difference	***$4***	*$0*	*$0*	*$0*	*$0*
Reserve Fund As A Percent Net Revenues	11.0%	11.7%	11.4%	10.9%	10.1%

Risks To The Financial Forecast

This forecast assumes that the recession lasts well into calendar 2004 with a local recovery starting the second half of 2004. There are several uncertainties that could adversely affect this forecast:

- *A regional economy that has been unable to climb out of recession.*
- *The long term effect of the Shilo-Inn rule on property tax collections is not known.*
- *PERS legislative changes are winding their way through the Oregon Supreme Court.*
- *The Police contract remains unresolved and in arbitration.*
- *The Health Fund will exhaust reserves sometime in early FY2005-06.*
- *Business License accounting changes may further reduce forecast revenue.*

Two-Year Forecast Resources-By Budget Category Detail			
Category	*FY2003-04*	*FY2004-05*	*FY2005-06*
RESOURCES	***Budget***	***Forecast***	**2nd Year**
Property Taxes			
Current Year Taxes	$147,427,197	$148,587,819	$154,132,106
Prior Year Taxes	$3,461,175	$3,780,042	$3,975,317
Payment in Lieu of Taxes	$706,515	$805,221	$805,221
Total Property Taxes	*$151,594,887*	*$153,173,082*	*$158,912,643*
Other Taxes			
Lodging Tax	$10,978,701	$10,811,022	$10,968,974
Licenses & Permits			
Business Licenses	$40,664,039	$37,753,965	$39,409,614
Utility License-External	$41,452,252	$40,795,732	$40,450,312
State Sources(*)			
State Shared Revenue	$9,480,137	$9,702,996	$9,364,295
Local Government			
Local Shared Revenue	$2,302,887	$2,446,069	$2,453,249
Miscellaneous Revenues			
Refunds	$30,000	$30,000	$30,000
Interest on Investments	$1,050,674	$755,533	$1,001,287
Other Misc. Revenues			
Other Misc. Revenues	$20,000	$20,000	$20,000
Unforeseen Reimbursable	$2,000,000	$2,000,000	$2,000,000
Transfers, Other Funds			
Utility License-Internal			
Water Operating	$4,016,308	$4,335,314	$4,676,264
Sewer Operating	$11,767,433	$12,845,945	$13,516,788
Miscellaneous			
Parking Facility-Tax Offset	$208,074	$214,316	$220,745
Hyro-Fund Transfer	$200,000	$200,000	$200,000
Fleet Transfer	$500,000	$0	$0
Refuse Disposal	$55,000	$55,000	$55,000
HCD-Indirect	$231,495	$133,690	$133,690
Federal Grants-Indirect	$0	$0	$0
Transfer-General Reserve	$0	$0	$0
Other Transfers.....	$0	$0	$0
Subtotal-Transfers, Misc.	$1,194,569	$603,006	$609,435
Beginning Fund Balance			
Unencumbered	$8,349,115	$10,209,193	$10,900,376
TOTAL DISCRETIONARY	$284,901,002	$285,481,858	$294,313,238
Checksum Total-Page 2	$284,901,002	$285,481,858	$294,313,238
Checksum Difference	$0	$0	$0

(*) Cigarette & liquor tax distributions to General Fund from State of Oregon

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

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

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	FY2004-05	FY2005-06
FUND	Liability	Allocation	**$11,121,822**	**$15,329,842**
General Fund Bureaus..	$112,995,285	37.55889%	$4,177,232	$5,757,718
Unused Line	$0	0.00000%	$0	$0
Unused Line	$0	0.00000%	$0	$0
Unused Line	$0	0.00000%	$0	
Unused Line	$0	0.00000%	$0	$0
Subtotal.....	**$112,995,285**	**37.55889%**	**$4,177,232**	**$5,757,718**
PDOT (net).....	$55,353,650	18.39919%	$2,046,325	$2,820,566
BOEC (net).....	$2,863,692	0.95187%	$105,866	$145,921
Buildings (OPDR)	$14,372,047	4.77717%	$531,309	$732,333
BES	$39,339,045	13.07604%	$1,454,294	$2,004,536
Hydroelectric	$301,519	0.10022%	$11,147	$15,364
WATER	$40,857,865	13.58088%	$1,510,442	$2,081,928
Golf Operating	$2,463,623	0.81889%	$91,076	$125,535
PIR	$474,262	0.15764%	$17,533	$24,166
Refuse Disposal	$765,029	0.25429%	$28,282	$38,982
Environ. Remediation	$17,662	0.00587%	$653	$900
Parks Bond Const.	$1,364,843	0.45366%	$50,456	$69,546
Parks Construction	$22,806	0.00758%	$843	$1,162
Facilities Services	$2,448,975	0.81402%	$90,534	$124,788
Fleet Operating	$5,754,908	1.91289%	$212,749	$293,244
Print & Distribution	$1,950,219	0.64824%	$72,096	$99,374
BIT	$4,415,663	1.46774%	$163,239	$225,002
Insurance & Claims	$1,074,630	0.35720%	$39,727	$54,758
Health Insurance	$454,732	0.15115%	$16,811	$23,171
LID	$1,025,120	0.34074%	$37,897	$52,235
FPD&R	$613,557	0.20394%	$22,682	$31,264
Unused Line	$0	0.00000%	$0	$0
Comm. Services	$2,424,160	0.80577%	$89,617	$123,524
Arena/Facilities	$225,242	0.07487%	$8,327	$11,477
Worker Comp. Oper.	$1,005,184	0.33412%	$37,160	$51,220
PDC	$8,264,628	2.74711%	$305,528	$421,127
TOTAL All Funds.....	$300,848,346	100.00000%	$11,121,822	$15,329,842

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

	2007	2008	2009
Out-Year Debt Service.....	$20,551,842	$22,550,003	$23,633,377

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.