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

As Of... 21-Apr-2004 Previous Forecast..... 20-Feb-2004

Mayor's Proposed Reduces On-Going Current Appropriation Levels (CAL) By $1.365 Million

Item	March Foreast	Mayors Proposed	Difference vs. Previous
Council Discretionary Available FY2004-05.....	$285,481,858	$287,824,703	$2,342,846
Requirements:			
Capital Set-Aside.....	$1,813,044	$1,813,044	$0
Council Set-Asides.....	$27,444,347	$29,237,747	$1,793,400
One-Time Bureaus	$458,308	$2,535,984	$2,077,676
Bureaus & Programs.....	$255,603,229	$254,237,933	**($1,365,296)**
CAL Requirements..	$285,318,928	$287,824,708	$2,505,780
Resources Less CAL	$162,930	($5)	($162,935)
Programs FY04-05.....	($1,150,215)	$0	$1,150,215
Available One-Time...	**$1,313,144**	$0	($1,313,144)
Programs FY05-06.....	**$0**	$0	**$0**
Available One-Time.....	**$176,855**	**$0**	**($176,855)**

Mayor's Proposed Balances Resources And Requirements

- *The revised resource forecast for FY2004-05 is up about $2.342 million compared to the previous forecast. The bulk of this increase results from a higher beginning balance and one-time revenues.*
- *The Mayor's Proposed Budget reduces Current Appropriation Levels by about $1.365 million. One-time budgets and Council Set-Asides are about $3.8 million higher than in the previous March forecast done prior to the Proposed Budget. Overall, current appropriation levels are up about $2.5 million with the bulk of this increase being budgeted for one-time projects such as Council's $2.35 million economic development set-aside.*
- *Reducing current allocation levels by $1.365 million or by about 0.5% balances the General Fund over the life of the five-year forecast. The Mayor's Proposed Budget and five-year financial plan builds in an $800,000 business license revenue reduction, starting FY2005-06, that partially funds an increase in the Owners' Compensation deduction to $75,000.*

Resource Outlook

Regional Economy Starting To Recover?

Metro-area and Oregon unemployment data continue to put the state and the metro-area at the bottom of the class with some of the highest unemployment rates in the nation. But, recent employment data seems to show the numbers of unemployed dropping and there appears to be some actual year-over-year and month-over-month employment or job growth. In addition, inflation (for now) remains subdued in this area making it easier to fund current appropriation levels.

Police Contract Set For Arbitration Decision

The financial forecast assumes CPI cost-of-living (COLA) adjustments for Police and medical care inflation for health benefits. An Interest arbitration with Portland's Police Association (PPA) was concluded in March. An award will be made sometime in May or June. An award to PPA means Council will face a new 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.....***	*$9,702,997*
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.....***	*$10,965,294*
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 $2.342 million compared to the previous March forecast. The Mayor's Proposed Budget increases revenues by about $1.586 million. This increase is concentrated in business licenses. The Mayor's Proposed Budget increases business license revenues by $1.5 million, $0.5 million is estimated as on-going by Licenses. About $1 million represents a plan to accelerate collection of delinquent taxes and receivables. Starting FY2005-06 business license are reduced $800,000 annually to partially fund an increase in Owners' Compensation to $75,000. Utility license fees are $155,000 lower in this forecast. Transfers are up about $221,000 of which $100,000 results from a $100,000 one-time increase in the Hyrdo Fund transfer.

The Mayor's Proposed Budget increases beginning fund balance by $756,101 in order to accommodate carryover of one-time funds for Planning projects and establishment of an economic development fund.

Revenue Forecast RECAP-First Year Budget, FY2004-05			
General Fund Revenue Category	FY2004-05		
	Previous	Current	Difference
Property Taxes.....	$153,173,082	$153,173,082	$0
Transient Lodgings.....	$10,811,022	$10,811,022	$0
Business Licenses.....	$37,753,965	$39,274,397	$1,520,432
Utility License/Franchise.....	$57,976,991	$57,822,158	($154,833)
State Revenues.....	$9,702,996	$9,702,997	$1
Interest Income.....	$755,533	$755,533	$0
Transfers IN.....	$603,006	$824,151	$221,145
Miscellaneous.....	$4,496,069	$4,496,069	($0)
Revenue Forecast.....	$275,272,665	$276,859,409	$1,586,745
Beginning FUND Balance....	$10,209,193	$10,965,294	$756,101
Forecast Resources.....	$285,481,858	$287,824,703	$2,342,846
% Change In Revenues.....		0.58%	
% Change In Resources.....		0.82%	

Other revenue categories are unchanged compared to the previous March revenue forecast done just prior to Proposed Budget decisions.

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.

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)....	0.8%
Revenue Sharing (State).....	$9,702,997

(*) Preliminary forecast

THE BOTTOM LINE: The forecast shows General Fund resources are not much changed compared to last March, but business license revenues and beginning balance are increased by about $2.34 million in the Mayor's Proposed Budget. The Proposed budget closes a previously identified $1.15 million gap from the March forecast. Reducing bureau current allocation levels by about 0.5% closed 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

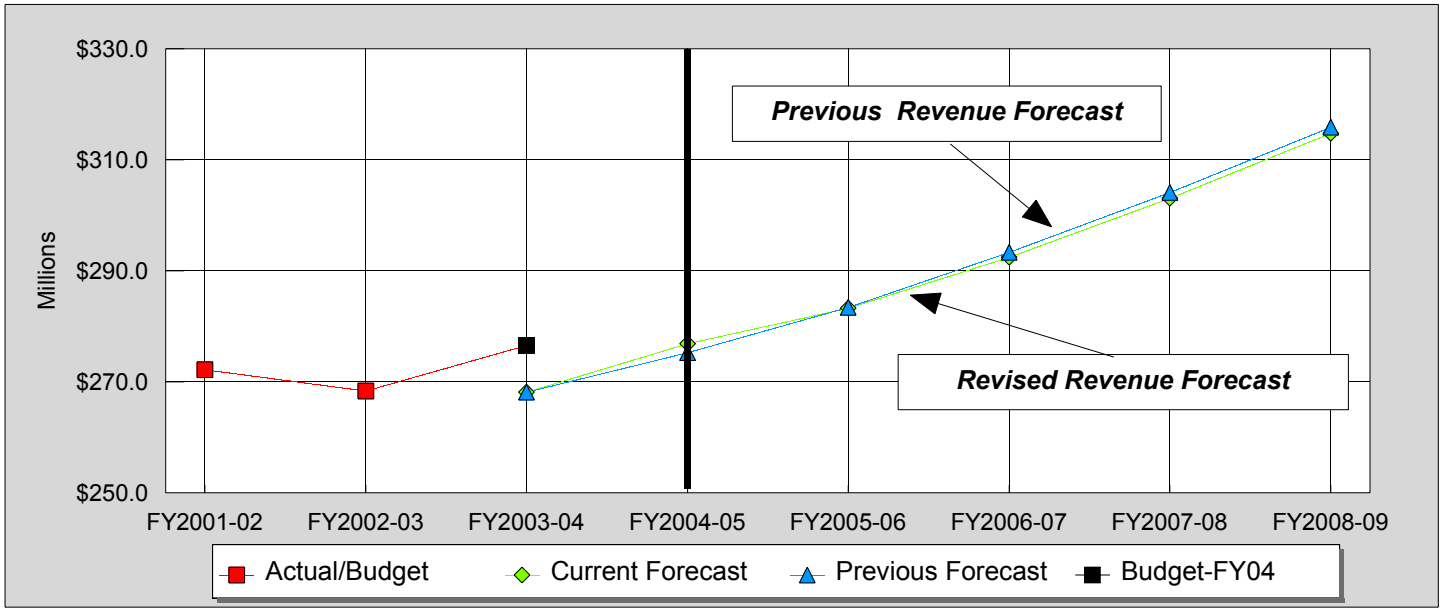

Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is a national economy that continues to recover from recession, as well as a recovering local economy. The Pacific Northwest however continues to be slow to recover from recession. Metro-area and Oregon unemployment rates remain among the highest in the nation.

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 2.8 percent over the next five years. The recession translated 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 are growing more slowly.

Estimated FY2004-05 General Fund current allocation level (CAL) costs are $254.237 million, versus last March's $255.603 million for FY2004-05 bureau CAL requirements. Bureaus' CAL targets are reduced about $1.365 million, net, in the Mayor's Proposed Budget. CAL reductions are concentrated mainly in Parks and Fire. The Mayor's Proposed Budget and lowered CAL balance the General Fund over the life of the five-year forecast horizon.

Estimated Current Allocation Level Forecast Assumptions	FY2004-05
FY2004-05 CAL Cost	
Previous CAL Forecast.....	$255,603,229
Current CAL Forecast.....	$254,237,933
Difference In CAL Estimates.....	*($1,365,296)*
General Inflation Rates.....	
GDP Price Deflator.....	1.2%
CPI-W% (Dec.'02-Dec.'03)..(*)...	**2.0%**
Benefits CAP Escalation.....	**2.2%**
Producer Price Index.....	3.8%
CPI-Energy.....	1.2%
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 proposed 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) remains at $1.8 million net of $1 million 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 $5.13 million. This assumes a 2.0% COLA, plus medical benefits inflation of 2.2%. This set-aside also includes $500,000 for possible Police overtime that may be required for dignitary protection in the fall. The set-aside reflects 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 Previous	Forecast FY2004-05 *Current*
Compensation Set-Aside.....	$4,813,203	$5,313,203
ESA(*) Set-Aside/Planning.....	$934,295	$366,087
Street Light O&M.....	$5,032,955	$4,904,961
General Fund Contingency.....	$1,400,000	$1,593,689
Unforeseen & Inventory.....	$2,000,000	$2,000,000
Subtotal-Contingency	$3,400,000	$3,593,689
Capital Set-Aside (**)**.....	***$1,813,044***	***$1,813,044***
PDOT CAL Support.....	$86,078	$86,078
ESA Set-Aside/BES.....	$0	$344,851
Transfer, 1900 Bldg. Offset.....	$0	$866,677
City Hall Debt Service.....	$2,479,350	$1,612,673
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	$294,310
Housing Trust Fund.....	$505,350	$492,716
TANS Borrowing-Interest	$0	$0
Transfer to Reserves.....	$2,023,263	$1,594,692
CIPs O&M Set-Aside.....	$669,704	$669,704
Economic Develop. Fund.....	$380,000	$2,350,000
BIT Transfers.....	$492,244	$430,001
Miscellaneous Transfers.....	$0	$0
Total Budgeted/Council Estimated Council Set-Asides	**$29,257,390**	**$31,050,790**
Difference versus Previous Forecast.....		**$1,793,400**

(*) Endangered Species Act (**) Net capital related debt service

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

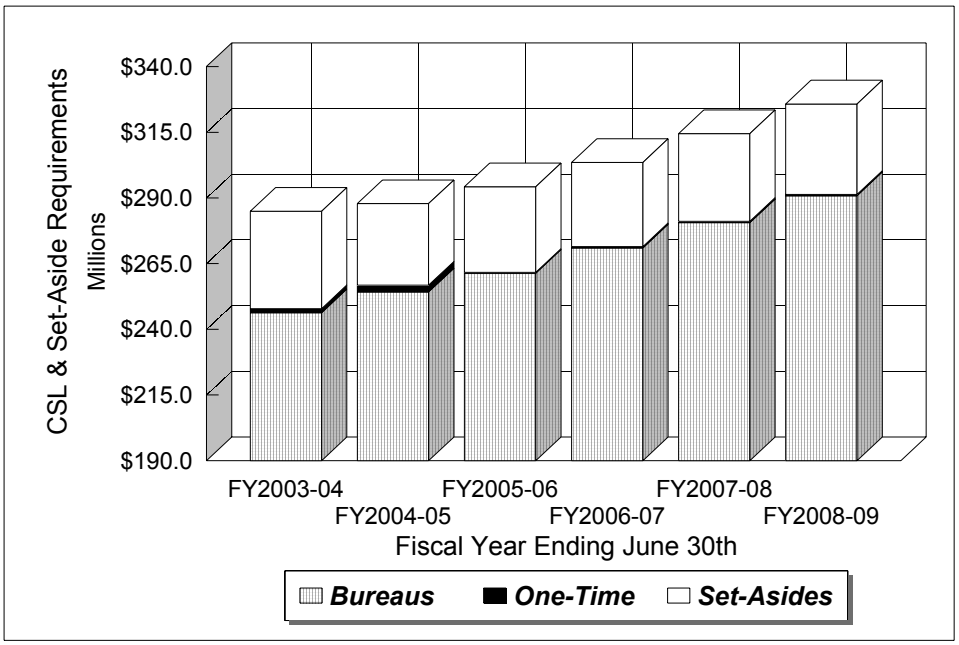

Figure 2-Current Service Level (CAL) Requirements

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.

The Mayor's Proposed Budget includes a $2.35 million set-aside for an economic development fund on a one-time only basis. This was not present in the previous March forecast.

Set-asides are up net by about $1.793 million. This is due principally to the creation of the economic development fund as offset by a lower ESA set-aside than found in the previous March forecast.

The table at the right combines the FY2004-05 resource forecast with fund CAL forecast estimates for FY2004-05. Resources total an estimated $287.824 million. Deducting set-asides of $31.050 million leaves about $256.773 million for on-going CAL program plus one-time budgets.

The Proposed Budget closes the gap between available resources and requirements. Balancing the General Fund over the course of the five-year forecast resulted in an overall reduction General Fund current allocation levels (CAL) of $1.365 million or 0.5%. One-time budgets now total about $2.078 million for FY2004-05.

Sources & Uses of Funds: Financial Forecast FY2004-05		
	Budget	FY2004-05
Item	FY2003-04	***Proposed***
Forecast FUND Revenues.....	$276,551,887	$276,859,409
Beginning FUND Balance.....	$8,349,115	$10,965,294
Total FUND RESOURCES	*$284,901,002*	*$287,824,703*
Less: Council Set-Asides.....	($34,267,781)	($29,237,747)
Less: Capital Set-Aside.....	($2,833,619)	($1,813,044)
EQUALS: AVAILABLE TO BUREAUS-PROGRAMS.....	$247,799,602	$256,773,917
Bureaus CAL Requirement.....	$247,799,602	$256,773,917
EST. GAP, DIFFERENCE.....	**$0**	**($0)**
AVAILABLE ON-GOING FY2004-05.....		**$0**
New One-Time...FY2004-05.....		**$0**

The "Proposed" column, shows that forecast FY2004-05 resources, and more importantly out-year resources are sufficient to fund lowered General Fund current allocation level (CAL) costs as as embodied in the Mayor's Proposed FY2004-05 Budget and financial plan:

- Resources estimates continue to be impacted by the length and severity of this recession. The continuing stagnation of resources relative to requirements resulted in a budget process that was focused principally 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. The FY2004-05 budget brings the reductions to about $19 million over the last three years.

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

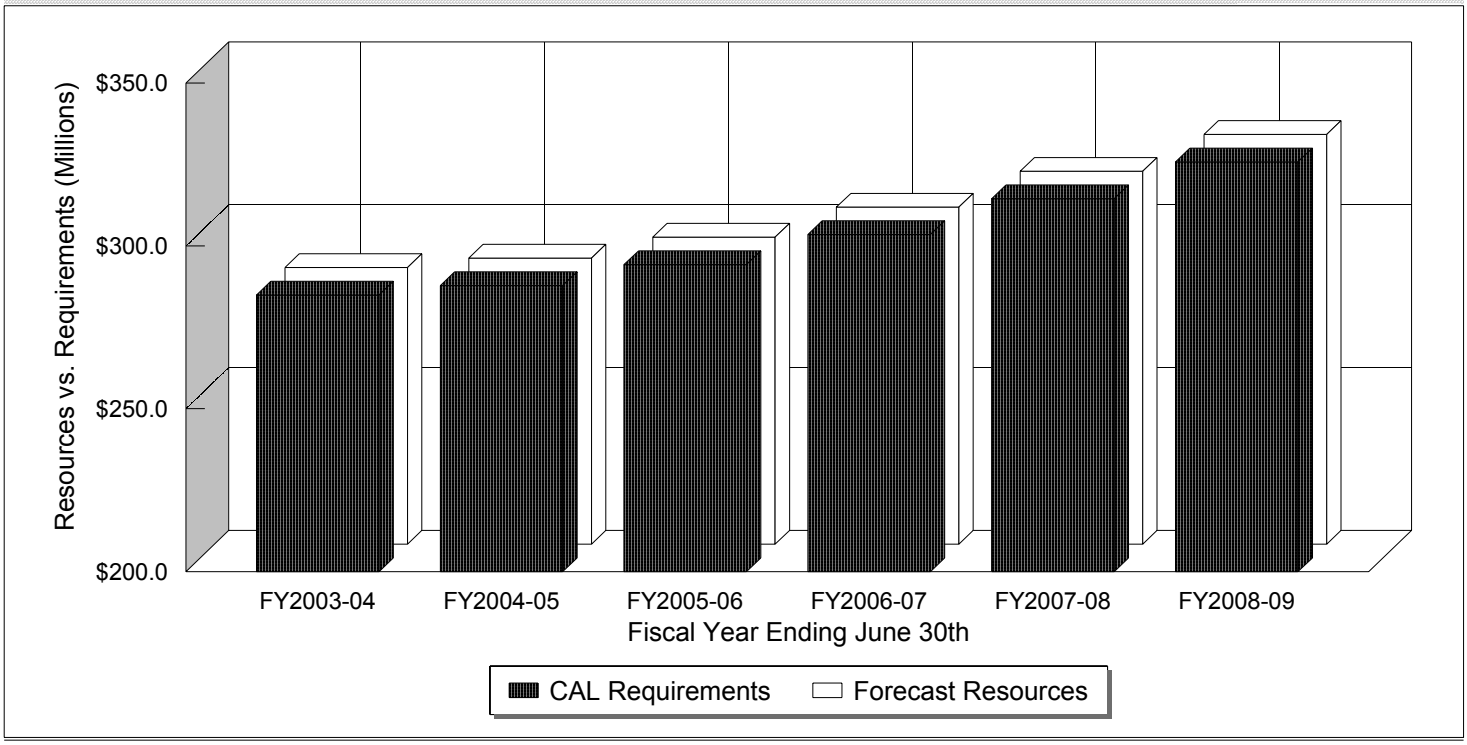

Figure 3-Financial Forecast Resources Compared To Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total $582.054 million for two years ending FY2005-06.
- Estimated requirements total $582.054 million over two years.
- The General Fund is be balanced albeit at a lowered CAL level for bureau budgets.

	Resources & Requirements Summary Next Two Years			
	Budget	Current 2 Year Forecast		
	FY2003-04	FY2004-05	FY2005-06	Total
Item-Category ▼ Resources →	$284,901,002	$287,824,703	$294,229,473	***$582,054,176***
Less: Assumed Set-Asides				
TANS Interest Expense.....	$0	$0	$0	$0
Compensation Set-Aside.....	$7,196,302	$5,313,203	$6,045,359	$11,358,562
Other Set-Asides				
Contingency.....	$1,502,743	$1,593,689	$1,600,000	$3,193,689
Unforeseen Reimbursable.....	$2,000,000	$2,000,000	$2,000,000	$4,000,000
Subtotal-Contingency.....	$3,502,743	$3,593,689	$3,600,000	$7,193,689
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	$1,612,673	$1,624,240	$3,236,913
Street Light O&M Transfer.....	$4,800,841	$4,904,961	$4,997,301	$9,902,262
Transfer To General Reserve.....	$625,384	$1,594,692	$2,735,250	$4,329,942
PDOT CAL Support.....	$84,439	$86,078	$87,233	$173,312
1900 Building Offset.....	$0	$866,677	$855,110	$1,721,787
Business License Refunds.....	$6,382,525	$0	$0	$0
City Hall Maintenance Reserve.....	$309,852	$294,310	$302,055	$596,365
ESA Set-Aside..(BES & Planning).....	$933,183	$710,938	$717,878	$1,428,816
Economic Development Fund.(*).....	$340,000	$2,350,000	$0	$2,350,000
CIPs Related O&M Costs.....	$567,566	$669,704	$777,116	$1,446,820
Housing Trust Fund.....	$495,757	$492,716	$1,250,136	$1,742,852
Miscellaneous Transfers.....	$90,000	$0	$350,000	$350,000
BIT Transfer.....	$818,419	$430,001	$431,958	$861,959
Subtotal, Assumed Set-Asides.....	$37,101,400	$31,050,790	$32,577,604	$63,628,395
Bureau Requirements & One-Time.....	$247,799,602	$256,773,917	$261,651,868	$518,425,785
Total Requirements.....	$284,901,002	$287,824,703	$294,229,473	**$582,054,180**
Resources less Requirements Equals Excess(+)/CAL Gap(-).....	$0	**$1**	**$0**	
On-Going Program Reductions.....	$0	**$0**	**$0**	**$0**
Available One-Time.....	$0	**$0**	**$0**	**$0**

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

FY2004-05 Through FY2008-09 Financial Forecast Summary

- *The financial forecast shows that Proposed Budget lower current allocation levels are consistent with available resoruces for the FY2004-05 budget year and the four out-years of the forecast horizon. The Mayor's Proposed Budget "pares" bureau current allocation levels (CAL) by about $1.365 million while adding additional one-time revenues and budgets when compared to the March forecast. This closed the budget gap and realigned requirements and resources over the life of the five-year forecast horizon. The Police contract however, remains an unknown financial requirement. An arbitration decision is expected late FY2003-04.*

- *This financial forecast makes the assumption that $3.5 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 continued recession like conditions 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 11.6% of net revenues falling to 10.6% in FY2008-09. Alternatively, Council could commit excess reserves now. This means however, that on-going reductions have to increase by another $2 to $3 million. One-time available to Council would increase proportionately. 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.....	$287,824,703	$294,229,473	$303,393,473	$313,357,759	$323,446,061
Transfer In From General Reserve.....	$0	$0	$93,549	$1,102,004	$2,333,798
Bureaus & Programs.....	$254,237,934	$261,346,868	$270,970,583	$280,570,476	$290,845,964
Capital Set-Aside.....	$1,813,044	$1,789,539	$1,764,448	$1,836,997	$1,708,057
Est. CAL Reduction.....	***$0***				
Planned One-Time.....	*$2,535,984*	*$305,000*	*$0*	*$0*	$0
New One-Time.....	*$0*	$0	$472,382	$488,503	$501,004
Pension Bonds P&I.....	***$4,177,232***	***$5,808,937***	***$7,787,709***	***$8,544,873***	***$8,955,396***
Council Set-Asides.....	$25,060,511	$24,979,129	$22,491,900	$23,018,913	$23,769,438
Total Requirements	$287,824,705	$294,229,473	$303,487,022	$314,459,762	$325,779,858
Difference	***($1)***	*$0*	*($0)*	*$0*	*$0*
Reserve Fund As A Percent Net Revenues	10.4%	11.6%	11.6%	11.3%	10.6%

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 continues to have trouble gaining traction.*
- *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. An arbitration decision is expected late FY2003-04.*
- *The Health Fund will exhaust reserves sometime in early FY2005-06.*
- *The proposed sale of PGE to a Texas investors group may impact franchise fee revenues.*

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	$39,274,397	$39,068,786
Utility License-External	$41,452,252	$40,828,684	$40,450,312
State Sources(*)			
State Shared Revenue	$9,480,137	$9,702,997	$9,588,082
Local Government			
Local Shared Revenue	$2,302,887	$2,446,069	$2,465,854
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	$4,184,153	$4,612,269
Sewer Operating	$11,767,433	$12,809,321	$13,551,201
Miscellaneous			
Parking Facility-Tax Offset	$208,074	$214,316	$220,745
Hyro-Fund Transfer	$200,000	$300,000	$200,000
Fleet Transfer	$500,000	$0	$0
Refuse Disposal	$55,000	$55,000	$55,000
HCD-Indirect	$231,495	$243,835	$133,690
Federal Grants-Indirect	$0	$0	$0
Transfer-General Reserve	$0	$0	$0
Other Transfers.....	$0	$11,000	$0
Subtotal-Transfers, Misc.	$1,194,569	$824,151	$609,435
Beginning Fund Balance			
Unencumbered	$8,349,115	$10,965,294	$10,950,629
TOTAL DISCRETIONARY	$284,901,002	$287,824,703	$294,229,473
Checksum Total-Page 2	$284,901,002	$287,824,703	$294,229,473
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.

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Discussion of PERS Pension Obligation Bonds (POBS) Debt Service Schedule

In November of 1999, the City sold $300 million of Pension Obligation Bonds (POBS). The bond proceeds were used to eliminate the City's unfunded PERS pension liability. This reduced the City's employer's PERS contribution rate from 10.48% to 8.56% during FY2000-01. In selling the POBS, the City avoided an immediate PERS employer contribution rate increase to 17.4%. The debt service costs were structured so as to phase in higher pension costs over a ten-year period allowing revenue growth to help absorb the impact of higher employer PERS costs.

Pension bond debt service is allocated to bureaus using a bureau's actual PERS contributions for the fiscal year in which the sale of the pension obligation bonds occurred.

			Annual POB Debt Service	
	Bureau PERS	Percentage	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.