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

As Of.... 22-Jun-2000

Council's Adopted Budget Reduces Bureau CSL Costs \$3.85 Million (1.6%): Set-Asides & One-Time Increase

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	December	Current	Differences		
<i>Item</i>	Forecast	Forecast	From Dec.		
Council Discretionary					
Available FY2000-01	\$275,258,260	\$281,195,387	\$5,937,127		
Requirements:					
Capital Set-Aside	\$4,063,846	\$3,720,000	(\$343,846)		
Council Set-Asides	\$36,584,177	\$40,992,074	\$4,407,898		
One-Time Bureaus	\$256,159	\$7,527,908	\$7,271,749		
Bureaus/@ 100%	\$232,801,077	\$228,955,403	(\$3,845,674)		
Fund Requirements	\$273,705,259	\$281,195,385	\$7,490,127		
Resources Less Re-					
quirements EQUALS	\$1,553,002	\$2	(\$1,553,000)		
Programs FY2000-01	\$1,553,002	\$0	(\$1,553,002)		
Available One-Time	\$0	\$2	\$2		
Programs FY2001-02	\$902,650	\$0	(\$902,650)		
Available One-Time	\$1,161,905	<i>\$0</i>	(\$1,161,905)		

Council's Adopted Budget & Five Year Financial Plan

- Forecast resources are up \$5.94 million compared to last December. The beginning fund balance estimate is \$4.4 million to accommodate bureau carryovers. Revenues are \$1.54 million above December's forecast.
- ◆ CSL costs are \$3.85 million below December's current service level estimate. The actual reduction in bureau on-going costs is larger because Council increased budgets in several new areas that had not previously received a Council on-going discretionary resource allocation.
- The indicated second year budget is balanced but the US West refund and Fire arbitration issues remain as major uncertainties.
- ◆ The forecast shows that Council allocated discretionary resources and requirements are balanced for FY2000-01. The indicated second year FY2001-02 budget is also balanced but this was achieved by reducing contingency to \$565,200 versus a normal \$1.4 million.

Resource Outlook

Clouds Seem To Be Gathering On The Horizon

The financial forecast that underpins Council's Adopted Budget and five-year financial plan may not holdup as events overtake this forecast. First, Council is expected to authorize an Interstate urban renewal district, the size of which will materially reduce property tax revenues. Second, the City will be forced by energy deregulation to revamp electric energy franchise fees. This may result in a revised lower Fall forecast.

Labor Settlement (Fire) Is A Key Uncertainty

The financial plan fully reflects the Police contract settlement as well as an assumed similar amount for Fire. Police's CSL target includes the estimated costs associated with longevity based pay increases. The compensation set-aside includes only the 3.7% cost-of-living adjustment. The Fire contract remains unresolved at this time. An arbitration hearing is set for this coming October.

- 1					
		M50 Assess. Value \$1000	\$31,548,219	State Cigarette & Liquor	
		FY1999-00 M50 Tax Base	\$144,396,201	Tax Revenues To City	\$7,957,226
		M50 Compression Loss	(\$3,473,216)	CPI-W Increase (December '98	
	Some	Est. Tax Base Imposed	\$140,922,984	To December '99)	3.7%
	Key	Delinquency/Discount(%)	-5.1000%	Measure 50 FPD&R Levy	\$65,671,249
	Forecast	Delinquency/Discount (\$)	(\$7,187,072)	Beginning General Fund	
	Assump-	New Tax Base Revenues	\$133,735,912	FY2000-01 Balance	\$12,878,451
	tions	County M50 Levy	\$166,212,217	Estimated Urban Renewal	
		Library-Local Option	\$22,757,841	Divide-The-Taxes (7 Districts)	
		Total-County Levies	\$188,970,057	Current Forecast: FY2000-01 to	o FY2004-05

Forecast FY2000-01 resources are up \$5.937 million (2.16%) compared to the previous Decem-

ber forecast. Forecast revenues are up about \$1.539 (0.58%) million compared to December's revenue forecast on the strength of slightly higher property taxes, cable franchise and license fees, higher interest income, and a better transient lodging taxes revenue forecast. Property taxes are up 0.11% and now fully reflect actual FY1999-00 results. Transient lodging taxes which grew a dismal 4% last year (FY1998-99) picked up during the second half of the current fiscal year resulting in a \$488,000 fore-

daring the econta hall of the eartern heat year recalling in a precise fore						
cast revision. Growth is	Revenue Forecast RECAP-First Year Budget, FY2000-01					
now expected to be in	General Fund		FY2000-01			
the 5% to 6% range: still	Revenue Category	December	Adopt. Budget	Difference		
below the double-digit	Property Taxes	\$138,661,975	\$138,817,685	\$155,710		
growth of previous years	Transient Lodgings	\$10,846,666	\$11,334,892	\$488,226		
but better than last years	Business Licenses	\$53,127,604	\$53,127,604	\$0		
lackluster 4% growth.	Utility License/Franchise	\$48,032,587	\$48,439,887	\$407,301		
	State Revenues	\$7,957,661	\$7,957,226	(\$435)		
Higher interest rates	Interest Income	\$2,126,404	\$2,469,089	\$342,684		
pushed up interest in-	Transfers (*) IN	\$2,326,583	\$2,082,759	(\$243,824)		
come estimates, and	Miscellaneous	\$3,697,869	\$4,087,794	\$389,925		
miscellaneous revenues	Revenue Forecast	\$266,777,350	\$268,316,936	\$1,539,586		
(Court Fines) are higher	Beginning FUND Balance	\$8,480,910	\$12,878,451	\$4,397,541		
in this forecast compared	Forecast Resources	\$275,258,260	\$281,195,387	\$5,937,127		
to last December.	% Change In Revenues	0.58%				
	% Change In Resources		2.16%			

Overall, revenue growth (*) Includes \$1.55 million of excess reserves from the General Reserve Fund, FY2000-01.

is expected to average about 3.9% per year. Current levy property taxes are forecast to grow at 4.5%.

Franchise fees are forecast to grow 3.7% per year. Tansient lodging taxes grow by 5.0% per year. Bus-

iness licenses grow slowly at 2.7% per year.

Some key revenue forecast assumptions are an "M50" General Fund tax base levy of \$144.4 million. The levy estimate results from application of the fixed permanent \$4.5770 per \$1,000 tax rate to about \$31.5 billion of Measure 50 assessed values. This levy is assumed compressed by about 1.78% reflecting actual experience with Measure 50 actual propertyby-property compression. The property tax revenue forecast also incorporates Council's creation of three new urban renewal districts (River District, Lents, and Macadam). The new Interstate district is not reflected in this financial forecast. Next Fall's forecast will include the effect of a new district with a \$900 million frozen base. This will result in a lowered property tax revenue forecast line. The combined delinguency and discount rate is forecast to remain near Measure 50 "special" property-byhistorical lows.

Revenue Forecast ASSUMPTIONS				
Revenue Category	FY2000-01			
CITY Property Tax Levies				
Measure 50 Taxbase Levy	\$144,396,201			
Local Option Levy	\$0			
Measure 50 F&PD&R Levy(*)	\$65,671,249			
FPD&R, General Fund Total.	\$210,067,450			
MULTNOMAH County Levies				
Measure 50 Levy Authority	\$166,212,217			
Local Option Levy (Library)	\$22,757,841			
Mult. County Levy Total	\$188,970,057			
M50 Assessed Value Growth	4.1%			
Percent of FY2000-01 Levies				
Not Received First Year	-5.100%			
Measure 50 Compression	-1.774%			
Est. Portland Population	518,881			
GDP Growth (RFA)	2.3%			
Revenue Sharing (State)	\$7,957,226			

property compression is assumed stable at 1.78% of the General Fund's tax base levy.

THE BOTTOM LINE:The revised forecast shows improvement in revenues compared to the previous forecast. The bulk of the improvement is in utility license, franchise fee and transient lodging revenues. The beginning fund balance estimate has been revised upward to accommodate bureau carry-over requests totaling about \$3.5 million. Financial data through early June, 2000 are consistent with a \$12 to \$13 million beginning balance if expenditure rates remain subdued to year-end.

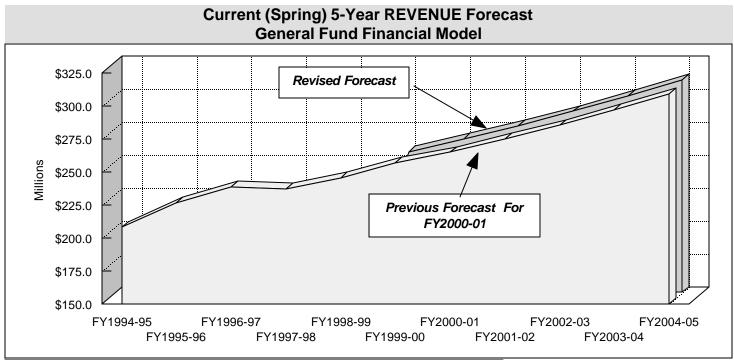


Figure 1-Current General Fund 5-Year Revenue Forecast

The key environmental assumption remains national and regional economic growth. Economic conditions are improved compared to last Spring (Asia). The City's national economic advisor, Regional Financial Associates, forecasts continued but slower growth. The State's economist also forecasts slower growth.

Figure 1 summarizes the 5 year revenue forecast off of the FY1999-00 base. The revenue growth rate now depends critically on assesed value growth. Revenue growth is forecast to average 3.9 percent over the next five years. Slower regional growth or a recession will quickly translate into lower revenue growth because of the increased importance of business license revenues and the sensitivity of property tax revenues to real estate market cycles and higher interest rates.

vice level (CSL) costs are \$228.9 million, down \$3.8 million compared to the December financial forecast estimate for current service levels (CSL). This decrease reflects outcomes from Councl's recent budget deliberations which effectively reduced overall bureau on-going programmatic costs. Bureau CSL budgets do include some specific increases such as \$103,655 for Planning (AK Media). Council adopted (*) Net of increased longevity pay.

Estimated Current Service Level Forecast					
Assumptions	FY2000-01				
FY2000-01 CSL Cost					
Estimated-Previous Forecast	' ' '				
CSL Adopted Budget					
Difference In CSL Estimates	(\$3,845,674)				
General Inflation Rates					
GDP Price Deflator(RFA)					
CPI-% (Dec.'98-Dec.'99)					
Benefits Inflation					
Producer Price Index					
CPI-Energy	2.4%				
General-Overall					
Energy-Electricity					
Energy-Gas					
Sewer					
· Water					
Utilities-Overall					
Internal M&S					
General-Overall					
Risk/Workers' Comp	3.3%				
Wage & Salary % Increase					
Public Safety (*)					
All Other	. 3.7%				
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ordinances increased Parks' target by \$93,845. Phase-in of the BIT cost-of-service study increased targets by about \$354,000. This phase-in is consistent with the approach used in prior years for overhead and inter-agency adjustments so as to manage systemic changes of this type. Bureau CSL budgets, are nevertheless, \$3.85 million below the December financial forecast's CSL estimate.

COUNCIL set-asides, FY2000-01, are shown in the table to the right in line item detail as follows:

The business license refunds set-aside is \$5.1 million and increased about \$1 million over FY1999-00 budge levels. This reflects recent experience with business license refunds.

Preliminary cashflow analysis shows that the General Fund will have to resume issuing Tax Anticipation Notes (TANS) next year. Interest costs are now estimated at \$349,589.

The capital set-aside is reduced \$936,154. This equals annual debt service costs that resulted from Council's decision to fund this fiscal year's capital set-aside using debt. In the out-years of the forecast this setaside increases \$1 million per year.

The compensation set-aside is up \$1.26 million reflecting a 3.7% December CPI-W and carryover of Fire's FY1999-00 compensation setaside. This is required because Fire and (*) Endangered Species Act (ESA)

Adopted Budget Council Set-Asides					
	Forecast F	Y2000-01			
Set-Aside Item	December	Budget			
LID & Schools Debt Service	\$1,348,491	\$1,348,491			
Compensation Set-Aside	\$6,794,217	\$8,386,740			
POBS Debt Service	\$3,223,981	\$2,988,165			
General Fund Contingency	\$1,400,000	\$1,542,555			
Unforeseen & Inventory	\$2,000,000	\$2,000,000			
Subtotal-Contingency	\$3,400,000	\$3,542,555			
Capital Set-Aside	\$4,063,846	\$3,720,000			
Precincts/City Hall Projects	\$2,479,350	\$2,424,890			
Existing Master Lease	\$1,288,733	\$1,283,899			
Subtotal-Capital Set-Aside	\$7,831,928	\$7,428,789			
PDOT-CSL & One-Time	\$726,034	\$707,885			
Street Light O&M Transfer	\$4,956,890	\$4,832,968			
2040 Planning/Town Centers	\$736,550	\$1,000,000			
Unemployment Insurance	\$200,000	\$200,000			
Business License Refunds	\$5,057,122	\$5,060,972			
City Hall Maintenance Reserve	\$350,000	\$350,000			
TANS Borrowing-Interest	\$327,740	\$349,589			
Unused Line	\$0	\$0			
Homeless/OMSI-Debt Service	\$1,262,088	\$1,262,088			
Housing Investment Fund	\$4,330,000	\$5,680,000			
Misc. & BIT Transfers	\$102,981	\$614,534			
ESA(*) Set-Aside	\$0	\$959,298			
Total Budgeted/Council					
Adopted Budget Set-Asides	\$40,648,022	\$44,712,074			
Difference versus Previous Fo	recast	\$4,064,052			

the City have been unable to negotiate a new contract. The compensation set-aside also includes about \$300,000 for non-represented employee class/compensation costs pending results of on-going study.

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

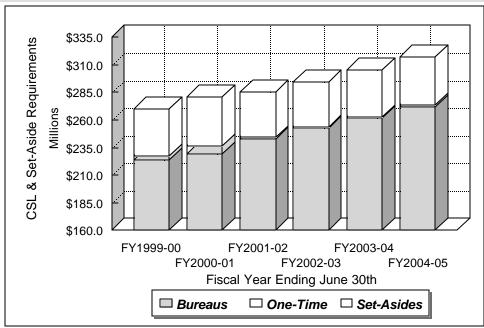


Figure 2-Current Service Level (CSL) Requirements Financial Forecast (FORC01AB)

Set-asides are up net about \$4.06 million. The bulk of this increase is located in Housing, compensation, and ESA.

Other set-asides in Council's

second year budget are unchanged, but Pension Obligation Bonds debt service is \$236,245 above last June's estimate. Interest rates are higher than anticipated last Spring. It should be noted that the POBS "consume" a large amount of annual revenue growth that otherwise would have been available to Council as new on-going money.

The table to right combines the FY2000-01 resource forecast with bureau CSL targets plus

Council set-asides. Total resources are \$281.195 million. Deducting Council set-asides of \$44.712 million leaves \$238.483 million as budgeted bureau on-going CSL program costs.

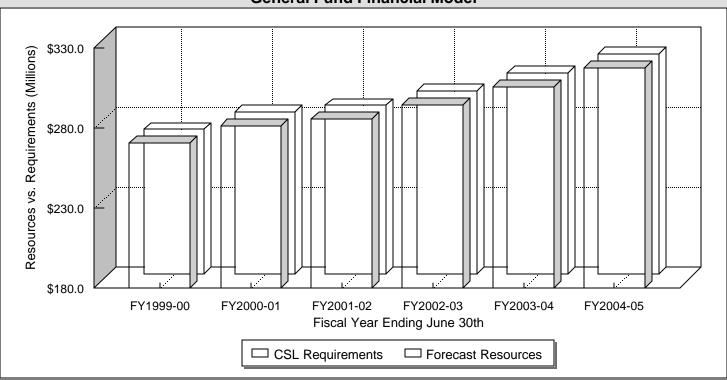
Council's indicated second year budget is balanced but with a much lower than normal contingency of \$565,200. If additonal resources show-up in next Fall's forecast, the Office of Management and Finance (OMF) recommends that contingency first be "refilled" to the standard \$1.4 million level.

Sources & Uses of Funds: Adopted Budget FY2000-01					
	Budget	FY2000-01			
ltem	FY1990-00	Budget			
Forecast FUND Revenues	\$256,844,458	\$268,316,936			
Beginning FUND Balance	\$13,584,770	\$12,878,451			
Total FUND RESOURCES	\$270,429,228	\$281,195,387			
Less: Assumed Set-Asides	(\$38,845,690)	(\$40,992,075)			
Less: Capital Set-Aside	(\$4,000,000)	(\$3,720,000)			
EQUALS: AVAILABLE					
TO BUREAUS-PROGRAMS	\$227,583,538	\$236,483,312			
Bureaus CSL Requirement.(*)	\$227,583,537	\$236,483,311			
EST. GAP, DIFFERENCE	\$1				
AVAILABLE For ON-GOING PRO	\$0				
New One-TimeFY2001-02Se	cond Year	\$0			

The "Budget" column, shows that forecast FY2000-01 resources are consistent with Council's Adopted Budget. As noted elsewhere in this document, the principal reason for this is in part, a \$3.8 millio reduction in on-going bureau CSL costs that came out of Council's two-year budget deliberations. Setasides and one-time budgets are correspondingly higher and reflect the committment of the \$1.5 million on-going resources forecast in December as available over and above estimated CSL costs.

There are three principal risks to out-year CSL costs. First, a Fire labor arbitration is scheduled for October. An adverse decision could result in increased personal services and CSL costs above forecast. Second, pension obligation bond debt service includes variable interest rate principal. The Federal Reserve increased interest rates several times over the last 8 months. This may result in higher annual debt service costs in the next forecast upsetting the cost side of the next financial forecast. Third, US West has been ordered by the Oregon PUC to refund about \$260 million in over charges and interest to Oregon customers. US West is proposing to fund this obligation by not paying franchise fees for one full year. The City and US West are in discussions and this issue is currently unresolved.

Forecast Difference Between Resources And Current Service Level (CSL) Requirements
General Fund Financial Model



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2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total \$566.587 million for two years ending FY2001-02.
- Estimated requirements total \$556.587 million over two years.
- The General Fund's two-year budget is balanced but the second year FY2001-02 budget's contingency is about \$835,000 below the standard \$1.4 million level.

	Resources & Requirements Summary Next Two Years				
		Budget Current 2 Year Budget Forecast			
			FY2000-01 FY2001-02		Total
Item-Category	RESOURCES>	FY1999-00 \$270,429,228	\$281,195,387		\$566,587,632
Less: Assumed Set-As		, ,	· , , ,	. , , ,	
LID & Other Debt Service	ce	\$6,454,900	\$1,348,491	\$1,350,003	\$2,698,494
Compensation Set-Asia	de	\$3,482,208	\$8,736,329	\$6,208,863	
Other Set-Asides					
Contingency		\$2,316,942	\$1,542,555	\$565,200	\$2,107,755
Unforeseen Reimbursa	ble	\$2,000,000	\$2,000,000	\$2,000,000	\$4,000,000
Subtotal-Contingency		\$4,316,942	\$3,542,555	\$2,565,200	\$6,107,755
Capital Set-Aside		\$4,000,000	\$3,720,000	\$5,062,950	\$8,782,950
PERS Debt Service		\$0	\$2,988,165	\$3,469,216	\$6,457,382
Master Lease		\$1,357,566	\$1,283,899	\$1,436,223	\$2,720,121
Subtotal-Capital		\$5,357,566	\$7,992,064	\$9,968,389	\$17,960,453
City Hall/Precincts-Debt		\$2,427,396	\$2,424,890	\$2,479,350	\$4,904,240
Street Light O&M Trans	fer	\$4,851,151	\$4,832,968	\$5,025,127	\$9,858,095
2040 Planning		\$1,565,048	\$1,000,000	\$266,753	\$1,266,753
Unemployment Insurance		\$200,000	\$200,000	\$200,000	\$400,000
Business License Refur		\$3,935,438	\$5,060,972	\$5,462,324	
City Hall Maintenance R		\$250,000	\$350,000	\$400,000	\$750,000
Y2K FY99-00/ESA and		\$65,000	\$959,298	\$4,484,701	\$5,443,999
PDOT CSL Support, Or		\$1,419,876	\$707,885	\$726,968	\$1,434,853
Homeless Shelter Debt		\$1,150,000	\$1,262,088	\$1,112,113	\$2,374,200
Housing Investment Initia		\$6,806,962	\$5,680,000	\$500,000	\$6,180,000
Misc. Transfers/Transfer		\$363,203	\$13,124	\$13,472	\$26,596
Cultural Tourism (Last o	•	\$200,000	\$601,410	\$388,252	
Subtotal, Assumed Set		\$42,845,690	\$44,712,074	\$41,151,514	\$85,863,588
LESS: Estimated Bure		Φ007 F00 F07	# 000 400 044	CO44 040 704	£400 704 040
Requirements		\$227,583,537	\$236,483,311		\$480,724,042
Total: Bureaus + Set-Ast Difference: Fund Reso		\$270,429,227	\$281,195,385	\$285,392,245	\$566,587,630
		\$1	¢a	\$0	¢2
Bureau Requirements,		\$0	\$2 \$0	\$0	\$2 \$0
Assumed, On-Going P Assumed, One-Time P		\$0 \$0	\$0 \$2	\$0 \$0	\$0 \$2
Assumed, One-Time P	10Jects	ΦU	Φ2	D	⊅ ∠

FY2000-01 Through FY2004-05 Financial Forecast Summary

- This fourth Measure 50 forecast continues to show a relatively stable General Fund financial outlook over the five-year forecast period. Property tax revenue growth has been higher than expected: new construction continues to add values to the tax roles at a rate of about 1.5 percent per year. This probably represents what can be expected at the high end of the business cycle. The financial forecast continues to assume that new construction will add an additional 1.1 percent to values year over year. This translates into 1.1 percent of additional property tax revenue growth (all other variables the same).
- The financial forecast assumes the use of about \$2.175 million of excess reserves over the next two year budget. This continues Council's planned use of excess reserves. Reserve levels are at or above the 10% level for the life of the financial forecast.
- The scenario used for the 5-year forecast is realistic. Legislative or voter action that reduce property tax revenues, state shared cigarette and liquor revenues, or franchise fees upsets the forecast. The possibility of a recession or slower economic growth continue 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, Two-Year Budget

The revised financial forecast shows a five year forecast that is balanced with the General Reserve Fund at or above the required 10% level throughout the forecast period. The five year forecast does, however commit all available excess reserves above the 10 percent requirement in order to meet CSL requirements as currently understood. The table below summarizes the five year financial forecast as it currently stands given Council's previous five-year financial plan and the current CSL cost forecast in corporates higher capitals set-asides into Council's five year financial plan. In addition, the five-year pla continues to incorporate increased operation and maintenance costs for new Fire Bureau facilities.

	Two Year Budget		Next Two-Year Budget		Out-Year
Item	2001	2002	2003	2004	2005
Total Resources	\$279,645,387	\$284,767,245	\$294,543,954	\$305,714,197	\$317,318,234
Transfer In From					
General Reserve	\$1,550,000	\$625,000	\$0	\$0	\$0
Bureaus & Programs	\$228,955,403	\$242,770,336	\$252,653,777	\$262,240,684	\$272,194,399
Capital Set-Aside(*)	\$3,720,000	\$5,062,950	\$6,062,850	\$7,064,850	\$7,061,050
Est. New On-Going	\$0	\$0	\$0	\$0	\$0
Scheduled One-Time	\$7,527,908	\$1,470,395	\$0	\$0	\$1,125,000
New One-Time	\$0	\$0	\$0	\$0	\$0
Pension Bonds P&I	\$2,988,165	\$3,469,216	\$4,574,072	\$5,325,729	\$6,031,971
Council Set-Asides	\$38,003,909	\$32,619,348	\$30,275,761	\$30,386,736	\$30,905,814
Total Requirements	\$281,195,385	\$285,392,245	\$293,566,460	\$305,017,998	\$317,318,235
Difference	\$2	\$0	\$977,494	\$696,198	(\$0)
Reserve Fund As A					
Percent Net Revenues	10.1%	10.0%	10.2%	10.3%	10.4%

(*) Per Council Adopted Resolution #35526, June 12, 1996.

Risks To The Financial Forecast

This forecast continues to assume moderate State and regional economic growth. All indications, both from the State and Regional Financial Associates (RFA) suggest that the national economy will continute to grow moderately although slower than in past years. As was the case in past years, uncertainties continue to plague the forecast. Some crucial uncertainties are:

- The Federal Reserve has embarked upon a process of raising interest rates to slow the economy. This raises the possibility of "over-tightening" resulting in a recession.
- The November ballot will include two initiatives that, if approved by voters, will have large and far-ranging negative fiscal impacts on the both State and local governments.

Two-Year Forecast Resources-By Budget Category Detail					
Category	FY2000		FY2001-02		
RESOURCES	December	Adopt. Budget	2nd Yr. Budget		
Property Taxes			_		
Current Year Taxes	\$134,495,962	\$134,601,672	\$140,391,572		
Prior Year Taxes	\$3,706,912	\$3,706,912	\$3,242,770		
Payment in Lieu of Taxes	\$459,102	\$509,102	\$459,102		
Total Property Taxes	\$138,661,975	\$138,817,685	\$144,093,444		
Other Taxes					
Lodging Tax	\$10,846,666	\$11,334,892	\$11,903,778		
Licenses & Permits					
Business Licenses	\$53,127,604	\$53,127,604	\$54,523,238		
Utility License-External	\$34,650,587	\$35,630,717	\$36,766,386		
State Sources(*)					
State Shared Revenue	\$7,957,661	\$7,957,226	\$7,969,710		
Local Government					
Local Shared Revenue	\$1,542,869	\$1,932,794	\$2,003,334		
Miscellaneous Revenues					
Refunds	\$30,000	\$30,000	\$30,000		
Interest on Investments	\$2,126,404	\$2,469,089	\$2,437,145		
Other Misc. Revenues					
Other Misc. Revenues	\$125,000	\$125,000	\$125,000		
Unforeseen Reimbursable	\$2,000,000	\$2,000,000	\$2,000,000		
Transfers, Other Funds					
Utility License-Internal					
Water Operating	\$3,766,000	\$3,524,990	\$3,858,000		
Sewer Operating	\$9,616,000	\$9,284,180	\$10,169,544		
Miscellaneous					
Parking Facility-Tax Offset	\$190,418	\$190,418	\$196,131		
Hyro-Fund Transfer	\$250,000	\$200,000	\$150,000		
Auto Port-Tax Offset	\$0	\$0	\$0		
Refuse Disposal	\$35,000	\$35,000	\$35,000		
HCD-Indirect	\$167,738	\$97,624	\$97,624		
Federal Grants-Indirect	\$33,427	\$9,717	\$9,717		
Transfer-General Reserve	\$1,650,000	\$1,550,000	\$625,000		
Supplemental Retire	. \$0	\$0	\$0		
Subtotal-Transfers, Misc.	\$2,326,583	\$2,082,759	\$1,113,472		
Beginning Fund Balance					
Unencumbered	\$8,480,910	\$12,878,451	\$8,399,194		
TOTAL DISCRETIONARY	\$275,258,260	\$281,195,387	\$285,392,245		
Checksum Total-Page 2	\$275,258,260	\$281,195,387	\$285,392,245		
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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<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 avoids an immediate PERS employer contribution rate increase to 17.4%. In addition, the City had been able to structure debt service costs so as to phase in the higher pension costs over a ten year period thus allowing revenue growth to help absorb the impact of higher employer PERS costs.

First year General Fund debt service costs \$2.9 million and reduced on-going resources a like amount. Annual pension bond debt service will be allocated to bureaus using the most recent year's actual PERS contributions. This means that for FY2000-01, actual FY1998-99 PERS contributions are used to allocate annual FY2000-01 debt service costs of \$8,048,992. The table below details the allocation of pension bond debt service for the two-year budget period ending FY2000-02.

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			Annual POB Debt Service		
	Bureau	Percentage	FY2000-01	FY2001-02	
FUND	Total PERS	Allocation	\$8,048,992	\$9,344,762	
General Fund Bureaus	\$8,813,506	32.33808%	\$2,602,890	\$3,021,917	
Street Light (PDOT)	\$60,862	0.22331%	\$17,974	\$20,868	
BOEC @ 77%	\$896,883	3.29080%	\$264,876	\$307,517	
OPDR	\$346,817	1.27252%	\$102,425	\$118,914	
Subtotal	\$10,118,068	37.12471%	\$2,988,165	\$3,469,216	
PDOT (net)	\$5,014,563	18.39919%	\$1,480,949	\$1,719,360	
BOEC (net)	\$259,426	0.95187%	\$76,616	\$88,950	
Buildings (OPDR)	\$1,301,983	4.77717%	\$384,514	\$446,415	
BES	\$3,563,778	13.07604%	\$1,052,489	\$1,221,925	
Hydroelectric	\$27,315	0.10022%	\$8,067	\$9,366	
WATER	\$3,701,370	13.58088%	\$1,093,124	\$1,269,101	
Golf Operating	\$223,183	0.81889%	\$65,913	\$76,524	
PIR	\$42,964	0.15764%	\$12,689	\$14,731	
Refuse Disposal	\$69,305	0.25429%	\$20,468	\$23,763	
Environ. Remediation	\$1,600	0.00587%	\$473	\$549	
Parks Bond Const.	\$123,643	0.45366%	\$36,515	\$42,394	
Parks Construction	\$2,066	0.00758%	\$610	\$708	
Facilities Services	\$221,856	0.81402%	\$65,521	\$76,069	
Fleet Operating	\$521,345	1.91289%	\$153,969	\$178,755	
Print & Distribution	\$176,673	0.64824%	\$52,177	\$60,576	
BIT	\$400,021	1.46774%	\$118,138	\$137,157	
RISK	\$229,608	0.84247%	\$67,810	\$78,726	
LID	\$92,867	0.34074%	\$27,426	\$31,842	
FPD&R	\$55,583	0.20394%	\$16,415	\$19,058	
Arena-Spectator	\$20,405	0.07487%	\$6,026	\$6,996	
Comm. Services	\$219,608	0.80577%	\$64,857	\$75,298	
BGS Non Gen. Fund	\$118,330	0.43417%	\$34,946	\$40,572	
PDC	\$748,704	2.74711%	\$221,114	\$256,711	
TOTAL All Funds	\$27,254,264	100.00000%	\$8,048,992	\$9,344,762	

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

	2002	2003	2004
Out-Year Debt Service	\$9,344,762	\$12,320,826	\$14,345,507

the debt issued is variable interest rate debt. Actual annual debt service numbers will flucuate year-to-year in response to short term interest rates. The out-year numbers must be viewed as approximate. Higher interest rates clearly represent a risk to this and subequent forecasts.