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

As Of.... *15-Nov-2002* *Previous.....* *20-Jun-2002*

Recession Opens Up Gap Between Current Service Levels And Available Fund Resources

Item	Previous 20 June '02	December Forecast	Difference vs. Previous
Council Discretionary Available FY2003-04.....	*$292,720,323*	*$286,809,861*	*($5,910,462)*
Requirements:			
Capital Set-Aside.....	*$3,199,269*	*$3,199,269*	*$0*
Council Set-Asides.....	*$36,510,105*	*$34,484,172*	*($2,025,933)*
One-Time Bureaus	*$0*	*$375,000*	*$375,000*
Bureaus & Programs.....	*$253,010,949*	*$254,343,719*	***$1,332,770***
CSL Requirements..	*$292,720,323*	*$292,402,160*	*($318,163)*
Resources Less CSL	*$0*	*($5,592,299)*	*($5,592,299)*
Programs FY03-04.....	*$0*	*($6,592,299)*	*($6,592,299)*
Available One-Time...	***$0***	*$1,000,000*	*$1,000,000*
Programs FY04-05.....	***$0***	*$0*	***$0***
Available One-Time.....	***$0***	***$0***	***$0***

Lower Property Taxes. Business Licenses, Open Up A Gap

- *The resource forecast is revised down about $5.9 million compared to to the previous FY2003-04 forecast of last Spring. Business licenses continue to decline given poor local economic conditions. The severity of this decline is likely to match the recession of the 1980s despite a recession that is overall much weaker. The real surprise however, is current year assessed value growth of only 2.4%. The current property tax system was billed as one that would stabilize revenue growth with a predictable 3% floor. The Measure 50 system in reality does not work this way, rather it is subject to recessionary influences somewhat like business licenses.*
- *Bureau current service levels are up net about $1.33 million due to an expected 4 percentage point PERS employer contribution rate increase.*
- *The $5.592 million "budget gap" identified in the financial forecast requires "current service level" reductions of $6.592 million with about $1 million becoming available for one-time FY2003-04 budgets.*

Resource Outlook

Regional Economy Remains Mired In Recession

The revenue outlook continues to be problematic. The regional economy remains mired in recession. Local and state unemployment rates are among the highest nationally. The metro-area's unemployment rate is still well above 6% and does not seem to be improving. The US economy's health remains questionable. The recession is deeper here in the Pacific Northwest. Recovery locally can be expected to lag the national economy.

Police Contract Remains Unresolved

Fire's new labor contact is re-resolved. Negotiations with Police are on-going. This five-year financial forecast assumes the approved Fire contract and a CPI cost-of-living adjustment for Police. A contract that exceeds this assumption further unbalances the General Fund financial forecast. If this turns out to be the case, Council will be faced with a revised forecast showing a higher gap.

Some Key Forecast Assumptions

M50 Assess. Value $1000.....	$35,302,656	***State Cigarette & Liquor Tax Revenues To City.....***	*$8,959,637*
FY2003-04 M50 Tax Base.....	$161,580,255		
M50 Compression Loss.....	*($5,207,727)*	***CPI-W Increase (December '01 To December '02).....***	***1.6%***
Est. Tax Base Imposed.....	$156,372,528		
Delinquency/Discount(%).....	*-5.8%*	***Measure 50 FPD&R Levy.....***	*$83,192,088*
Delinquency/Discount ($).....	*($8,991,420)*	***Beginning General Fund FY2003-04 Balance.....***	*$7,095,291*
FY04 Tax Base Revenues.....	$147,381,108		
County M50 Levy.....	$182,287,146	***Estimated Urban Renewal Divide-The-Taxes (10 Districts).....***	***$47,133,125***
Library-Local Option.....	$31,686,420		
Total-County Levies.....	*$213,973,565*	***Current Forecast: FY2003-04 to FY2007-08***	

Forecast FY2003-04 resources are down $5.910 million compared to the previous FY2003-04 forecast done last June. In addition, the beginning balance estimate is lower, pending a resolution of outstanding labor contracts with Police and Fire. Property tax revenues are down $3.79 million compared to the last June. Actual FY2002-03 assessed value growth was a dismal 2.4%, well below the so-called Measure 50 minimum of 3%. In addition, Shilo-Inn related compression appears to be about 0.3% higher than estimated last Spring from County Assessment & Taxation modeling. FY2002-03 results pulled down the entire property tax revenue line.

Revenue Forecast RECAP-First Year Budget, FY2003-04			
General Fund	FY2003-04		
Revenue Category	Previous	Current	Difference
Property Taxes.....	**$155,493,415**	**$151,698,798**	($3,794,616)
Transient Lodgings.....	**$10,857,717**	**$10,704,104**	($153,613)
Business Licenses.....	**$47,725,376**	**$45,375,177**	($2,350,199)
Utility License/Franchise.....	**$54,400,501**	**$56,623,430**	$2,222,929
State Revenues.....	**$8,813,833**	**$8,959,637**	$145,804
Interest Income.....	**$1,898,014**	**$1,158,809**	($739,204)
Transfers (*) IN.....	**$596,764**	**$590,704**	($6,060)
Miscellaneous.....	**$4,856,189**	**$4,603,911**	($252,278)
Revenue Forecast.....	**$284,641,808**	**$279,714,570**	($4,927,239)
Beginning FUND Balance.....	**$8,078,515**	**$7,095,291**	($983,224)
Forecast Resources.....	**$292,720,323**	**$286,809,861**	($5,910,462)
% Change In Revenues.....		**-1.73%**	
% Change In Resources.....		**-2.02%**	

(*) Includes excess reserves transfer-IN of $1.46 million from the General Reserve Fund.

Business license revenues are $2.35 million lower reflecting the severity of this recession locally.

Franchise fees, particularly electric energy related fees are up $2.2 million reflecting the expectation that deregulation has stalled and few, if any, of PGE's customers are now expected to purchase power on the open market from some other supplier. Office of Sustainable Development staff will continue to monitor the power market, but the "conventional wisdom" seems to be that deregulation does not pose a threat to revenues.

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of $161.58 million versus a June forecast of $164.93 million. This is about 2% lower than last June and results mostly from FY2003-04's 2.4% assessed value growth. Compression also increased to 3.2%. About 0.3% is lost to Shilo-Inn rule increased property-by-property compression from divide-the-taxes collections. The forecast calls for 2.9% assessed value growth just below the 3% minimum. This assumes that the slower growth this year was due in part to one-time factors, although it is difficult to tell from current data if this is exactly what occurred during FY2002-03. New construction growth is assumed to be entirely offset in this forecast by reductions on assessed value due to slower or very little growth in large industrial, commercial, and (centrally assessed) utility values. The potential effect of the Portland Harbor superfund site on values is not known, as well as what changes the Oregon Legislature might enact as a result of DOR's new Shilo-Inn tax collection rule.

Revenue Forecast ASSUMPTIONS	
Revenue Category	**FY2003-04**
CITY Property Tax Levies.....	
Measure 50 Taxbase Levy.....	$161,580,255
Local Option, UR Special.....	$43,298,609
Measure 50 F&PD&R Levy(*).....	$83,192,088
FPD&R, General Fund Total.	**$288,070,952**
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.....	546,172
GDP Growth (Economy.Com).....	**1.1%**
Revenue Sharing (State).....	$8,959,637

(*) Preliminary

THE BOTTOM LINE: The forecast shows that General Fund resources are down $5.9 million from the pevious forecast and requirements are down net, about $0.3 million. There is a gap estimated of $5.6 million. This gap is due largely to the effect of poor economic conditions on business license revenues as well as unexpectedly low FY2002-03 assessed value growth that pulled the property tax revenue forecast down. Current service levels must be further reduced in order to balance the fund.

Current (December) 5-Year REVENUE Forecast
General Fund Financial Model

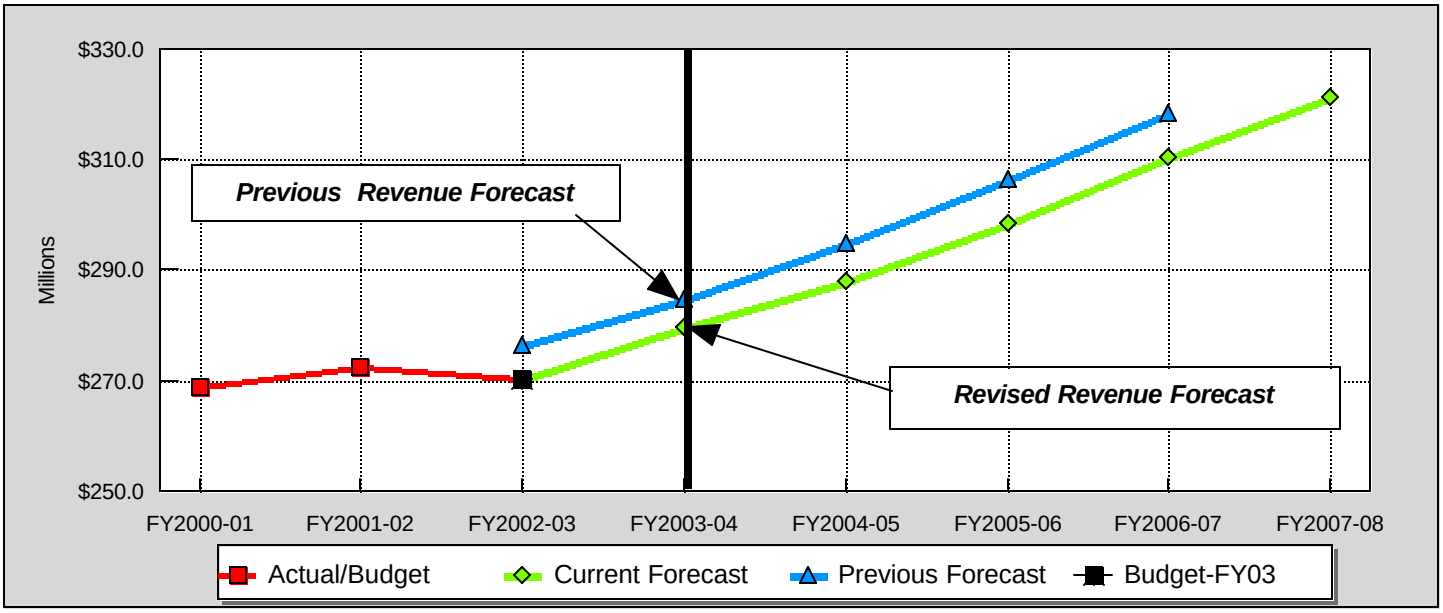

Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is a national economy that continues to recover from recession and revives the local area economy. Oregon and the Pacific Northwest, however remain mired in recession and the national economy continues to struggle through a very weak recovery. Recovery appears problematic locally.

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 are still a question mark.

Estimated FY2003-04 General Fund current service level (CSL) costs are $254.343 million, versus the December estimate of $253.011 million for FY2003-04 bureau CSL costs. The CSL estimate is net $1.33 million higher due the expectation that the PERS employer contribution tax rates will increase by about 4 points on July 1, 2003. The actual increase will not be known until late December, early January.

Estimated Current Service Level Forecast	
Assumptions	**FY2003-04**
FY2003-04 CSL Cost	
Previous CSL Forecast.....	$253,010,949
Current CSL Forecast.....	$254,343,719
Difference In CSL Estimates.....	*$1,332,770*
General Inflation Rates.....	
GDP Price Deflator.....	2.4%
CPI-% (Dec.'01-Dec.'02).....	**1.6%**
Benefits CAP Escalation.....	**6.8%**
Producer Price Index.....	4.5%
CPI-Energy.....	2.3%
External M&S.....	
General-Overall.....	2.6%
Energy-Electricity.....	35.0%
Energy-Gas.....	22.5%
Sewer.....	8.0%
Water.....	4.0%
Utilities-Overall.....	17.9%
Internal M&S.....	
General-Overall.....	2.6%
Risk/Workers' Comp.....	15.0%
Wage & Salary % Increase.....	
Public Safety (*).....	**2.0%**
All Other.....	**2.0%**

A key assumption in this financial forecast is slower CSL growth. This results from lower inflation as a result of the break in energy cost increases as well as the "moderating" effects of a recession on general price increases. There was little or no inflation in the Portland area overall as measured by the local CPI-W index over the first half of calendar 2002. The expected December 2001 to December 2002 CPI-W Portland-Salem increase is 1.6%. COLAs are expected to reflect 2 percent contractual minimums.

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

- The business license refund set-aside is set 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 and the forecast assumes that the fund will not have to issue tax anticipation notes (TANS).

- The capital set-aside net of related debt service requirements remains as previously forecast at $3.199 million. Debt service related requirements are included in "Other Debt Service" and includes "Schools" and various other debt services.

- The compensation set-aside is forecast at $6.5 million reflecting the expectation that the July 1 COLA will be 2%. Health benefits escalation is set at 6.8% pending publication of actual medical care inflation in February.

Forecast Council Set-Aside	Forecast FY2003-04	
Set-Aside Item	**Last June**	***Current***
Compensation Set-Aside.....	$7,158,204	$6,501,153
ESA(*) Set-Aside.....	$962,307	$954,175
Street Light O&M.....	$6,023,660	$5,798,942
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 (**)**.....**	***$3,199,269***	***$3,199,269***
PDOT CSL Support.....	$87,008	$86,365
2040/Town Centers.....	$200,065	$200,065
Unemployment Insurance.....	$200,000	$200,000
City Hall Debt Service.....	$2,479,350	$2,479,350
POBS Debt Service.....	$5,387,449	$3,117,708
Other Debt Service.....	$2,320,483	$2,607,608
Business License Refunds.....	$5,737,045	$6,367,525
City Hall Maintenance Reserve....	$316,800	$316,800
Housing Trust Fund.....	$516,414	$516,414
TANS Borrowing-Interest	$350,685	$0
Transfer to Reserves.....	$251,959	$833,630
CIPs O&M Set-Aside.....	$594,530	$580,292
Early Childhood Development.....	$0	$0
BIT Transfers.....	$489,147	$489,147
Miscellaneous Transfers.....	$35,000	$35,000
Total Budgeted/Council Estimated Council Set-Asides	**$39,709,374**	**$37,683,441**
Difference versus Previous Forecast.....		**($2,025,933)**

(*) Endangered Species Act (ESA) (**) Net of debrt service.

The set-aside reflects the new Fire contract and assumes that Police contract is resolved around 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

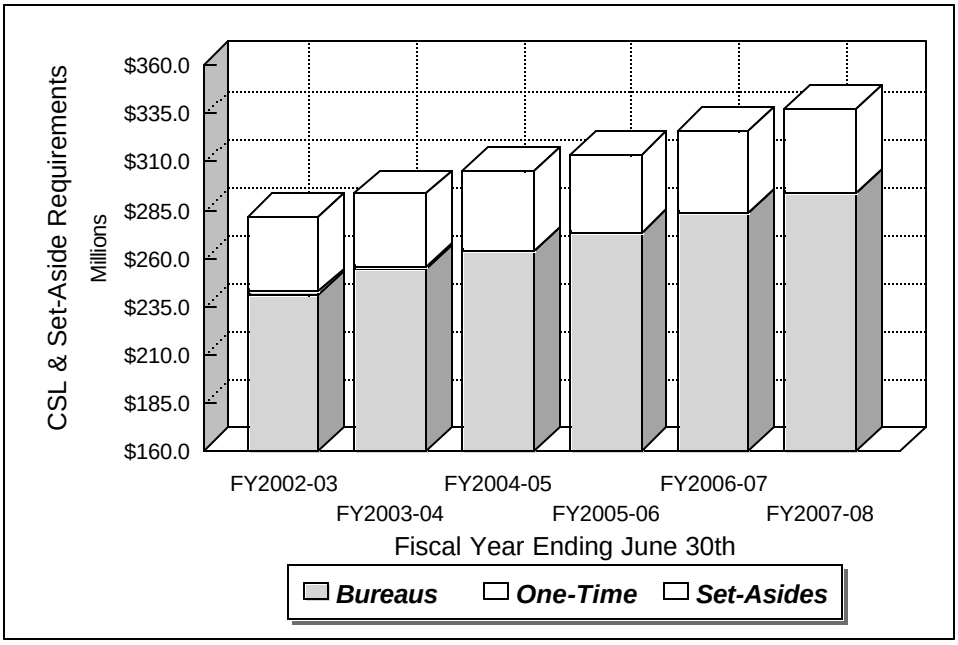

Figure 2-Current Service Level (CSL) Requirements

Set-asides are down about $2 million compared to the June financial forecast for FY2003-04.

Other set-asides in Council's second year budget include Pension Obligation Bond debt service requirements of about $3.12 million. Costs are lower because variable rate debt is lower.

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

PDOT CSL support remains as included in Council's previous financial plan.

The table at the right combines the FY2003-04 resource forecast with fund CSL forecast estimates for FY2003-04. Resources total an estimated $286.809 million. Deducting set-asides of $37.683 million leaves about $249.126 million for on-going CSL program and one-time budgets.

The forecast gap between resources and requirements is $5.592 million. On-going CSL requirements are balanced against available resources over the five-year financial forecast if $6.593 million in CSL reductions occur in the Council's budget process with $1 million becoming available one-time.

Sources & Uses of Funds: Financial Forecast FY2002-03		
	Budget	FY2003-04
Item	FY2002-03	***Forecast***
Forecast FUND Revenues.....	$276,295,286	$279,714,570
Beginning FUND Balance.....	$5,271,367	$7,095,291
Total FUND RESOURCES	*$281,566,653*	*$286,809,861*
Less: Council Set-Asides.....	($36,407,230)	($34,484,172)
Less: Capital Set-Aside.....	($2,582,950)	($3,199,269)
EQUALS: AVAILABLE TO BUREAUS-PROGRAMS.....	$242,576,473	$249,126,420
Bureaus CSL Requirement.....	$242,576,474	$254,718,719
EST. GAP, DIFFERENCE.....	**($1)**	**($5,592,299)**
AVAILABLE ON-GOING FY2003-04.....		**($6,592,299)**
New One-Time...FY2003-04.....		**$1,000,000**

The "Forecast" column, shows that forecast FY2003-04 resources, and more importantly out-year resources are insufficient to fund General Fund current service level (CSL) costs as embodied in Council's Adopted FY2002-03 Budget and as forwarded to FY2003-04:

- A $5.910 million decrease in resources in this forecast has opened up a gap between CSL requirements and expected resources. Council is faced with the task of having to reduce bureau budgets and set-asides in order to bring requirments in line with on-going resources.

- Last year Council reduced bureau current service levels by $9.87 million and cut back Council set-sides by another $3.8 million. Additional financial forecast reductions of $5.6 million will bring the two-year total to $19.27 million.

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

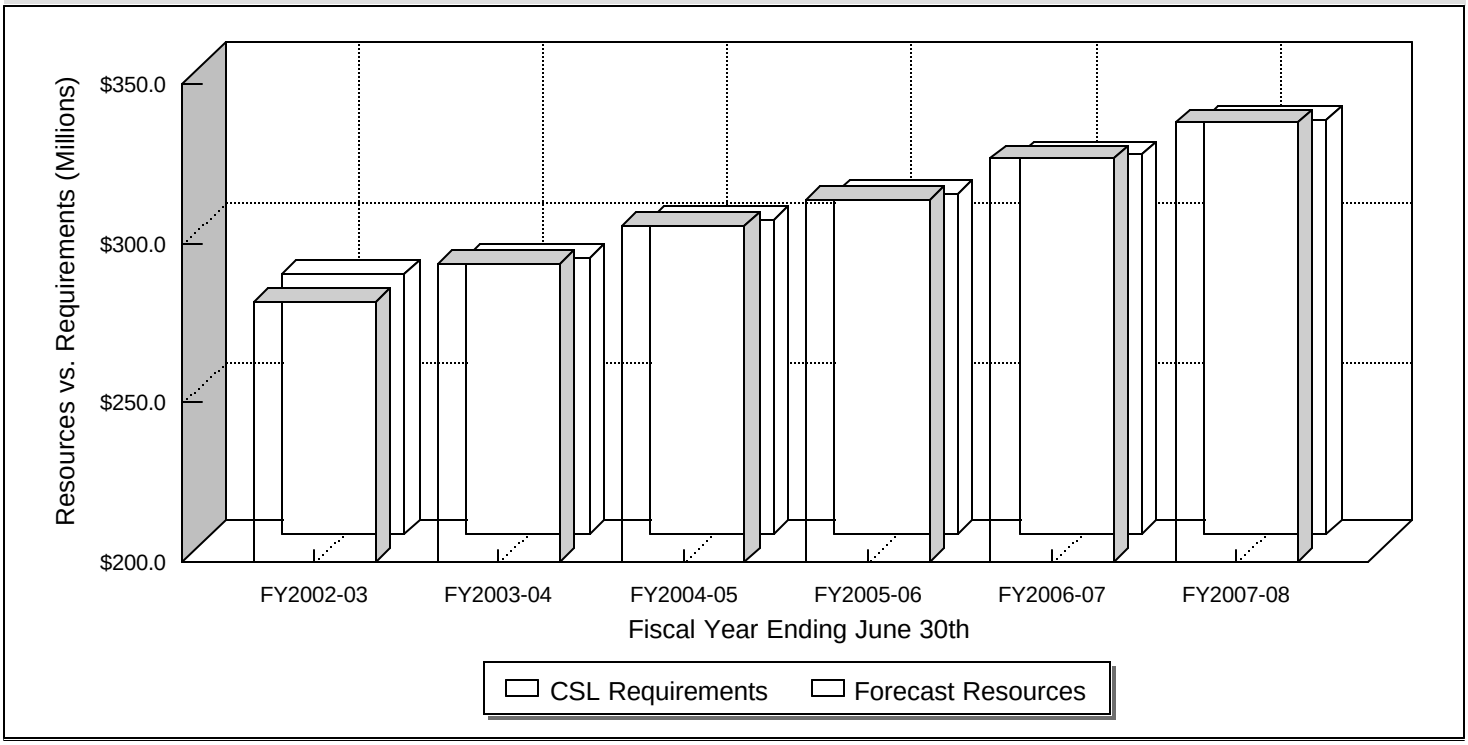

Figure 3-Financial Forecast Resources Compared To Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total $585.387 million for two years ending FY2004-05.
- Estimated requirements total $590.990 million over two years.
- The General Fund is balanced over the two-year budget only if CSL bureau and set-aside reductions totaling about $6.6 million are undertaken in the next budget process.

	Resources & Requirements Summary Next Two Years			
	Budget	Current 2 Year Forecast		
	FY2003-03	FY2003-04	FY2004-05	Total
Item-Category ▼ Resources →	$281,566,653	$286,809,861	$298,588,310	***$585,398,171***
Less: Assumed Set-Asides				
TANS Interest Expense.....	$349,589	$0	$0	$0
Compensation Set-Aside.....	$8,053,712	$6,501,153	$6,367,717	$12,868,870
Other Set-Asides				
Contingency.....	$1,682,248	$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.....	$3,682,248	$3,400,000	$3,400,000	$6,800,000
Capital Set-Aside.....	$2,582,950	$3,199,269	$3,499,162	$6,698,431
PERS Debt Service.....	$3,843,602	$3,117,708	$4,767,393	$7,885,101
Other General Fund Debt Service.....	$2,977,549	$2,607,608	$2,427,998	$5,035,605
City Hall/Precincts-Debt Service.....	$2,479,350	$2,479,350	$2,479,350	$4,958,700
Street Light O&M Transfer.....	$5,989,356	$5,798,942	$5,967,000	$11,765,942
2040 Planning.....	$133,377	$200,065	$200,000	$400,065
PDOT CSL Support.....	$84,795	$86,365	$88,332	$174,696
Unemployment Insurance.....	$500,000	$200,000	$200,000	$400,000
Business License Refunds.....	$5,551,863	$6,367,525	$6,217,057	$12,584,582
City Hall Maintenance Reserve.....	$316,800	$316,800	$316,800	$633,600
ESA Set-Aside.....	$938,887	$954,175	$973,316	$1,927,491
Early Childhood Development.....	$940,550	$0	$0	$0
CIPs Related O&M Costs.....	$0	$580,292	$803,430	$1,383,722
Housing Trust Fund.....	$55,652	$516,414	$513,953	$1,030,367
Miscellaneous Transfers.....	$35,000	$868,630	$2,407,302	$3,275,932
BIT Transfer.....	$474,900	$489,147	$503,821	$992,968
Subtotal, Assumed Set-Asides.....	$38,990,180	$37,683,441	$41,132,631	$78,816,073
Bureau Requirements + One-Time.....	$242,576,473	$254,718,706	$257,455,678	$512,174,384
Total Requirements.....	$281,566,653	$292,402,160	$298,588,310	**$590,990,457**
Resources less Requirements Equals Excess(+)/CSL Gap(-).....	$0	**($5,592,299)**	**($0)**	
On-Going Program Reductions.....	$0	**($6,592,299)**	**$0**	**($6,592,299)**
Available One-Time.....	$0	**$1,000,000**	**$0**	**$1,000,000**

FY2003-04 Through FY2007-08 Financial Forecast Summary

- *This financial forecast shows that the General Fund's financial outlook continues to detiorate because local economic conditions continue to depress revenue growth. Resources are insufficient to fund CSL levels over the five-year forecast period. The financial forecast identifies the need for about $6.6 million in on-going program reductions which makes available about $1 million of new one-time budget resources. CSL reductions of $6.6 million close the budget gap and balances both the budget and the five-year financial forecast mostly through bureau budget reductions.*

- *This financial forecast makes the assumption that $4.7 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 10% of net revenues.*

- *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.

	Two-Year Budget Window		**Following Two-Year Budget**		**Out-Year**
Item	2004	2005	2006	2007	2008
Total Resources.....	$286,809,861	$298,588,310	$306,070,989	$316,472,412	$328,567,982
Transfer In From General Reserve.....	$0	$0	$525,856	$2,607,275	$1,571,831
Bureaus & Programs.....	$254,343,706	$257,455,678	$266,092,148	$276,383,056	$286,552,648
Capital Set-Aside.....	$3,199,269	$3,499,162	$3,842,386	$5,042,970	$5,042,970
Est. CSL Reduction.....	***($6,592,299)***				
Scheduled One-Time....	*$375,000*	*$0*	*$0*	*$0*	$0
New One-Time.....	***$1,000,000***	***$0***	**$0**	**$0**	**$0**
Pension Bonds P&I.....	***$3,117,708***	***$4,767,393***	***$6,397,778***	***$7,312,161***	***$8,023,089***
Council Set-Asides.....	$31,366,478	$32,866,076	$30,264,533	$30,341,500	$30,521,106
Total Requirements	$286,809,861	$298,588,310	$306,596,845	$319,079,687	$330,139,813
Difference	***($0)***	*$0*	*($0)*	*($0)*	*($0)*
Reserve Fund As A Percent Net Revenues	10.5%	11.2%	11.0%	10.4%	10.0%

Risks To The Financial Forecast

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

- *A national economy that is in danger of lapsing back into recession.*
- *Remand of the Shilo Inn case to the Oregon Tax Court still represents an uncertainty.*
- *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 state tax revenues shared with cities.*
- *Regionalizaton of the City's water system may adversely impact General Fund revenues.*

Two-Year Forecast Resources-By Budget Category Detail			
Category	*FY2002-03*	*FY2003-04*	*FY2004-05*
RESOURCES	***Budget***	***Forecast***	**2nd Year**
Property Taxes			
Current Year Taxes	$145,382,226	$147,381,108	$152,544,168
Prior Year Taxes	$3,036,202	$3,611,175	$3,190,662
Payment in Lieu of Taxes	$617,767	$706,515	$706,515
Total Property Taxes	*$149,036,195*	*$151,698,798*	*$156,441,345*
Other Taxes			
Lodging Tax	$10,488,630	$10,704,104	$10,999,291
Licenses & Permits			
Business Licenses	$46,640,528	$45,375,177	$45,978,202
Utility License-External	$37,275,724	$41,254,435	$42,307,858
State Sources(*)			
State Shared Revenue	$8,868,233	$8,959,637	$9,055,497
Local Government			
Local Shared Revenue	$2,715,251	$2,553,911	$2,603,399
Miscellaneous Revenues			
Refunds	$30,000	$30,000	$30,000
Interest on Investments	$1,471,022	$1,158,809	$1,392,717
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	$4,182,472	$4,455,787
Sewer Operating	$10,417,152	$11,186,523	$12,238,318
Miscellaneous			
Parking Facility-Tax Offset	$202,014	$202,014	$208,074
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	$133,690	$133,690
Federal Grants-Indirect	$0	$0	$0
Transfer-General Reserve	$1,463,775	$0	$0
From Parks Trust.....	$0	$0	$0
Subtotal-Transfers, Misc.	$3,415,332	$590,704	$596,764
Beginning Fund Balance			
Unencumbered	$5,271,367	$7,095,291	$10,469,132
TOTAL DISCRETIONARY	$281,566,653	$286,809,861	$298,588,310
Checksum Total-Page 2	$281,566,653	$286,809,861	$298,588,310
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 $267 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 the most recent year's actual PERS contributions. Actual FY2001-02 PERS contributions allocate annual FY2003-04 debt services costs.

			Annual POB Debt Service	
	Bureau PERS	Percentage	FY2003-04	FY2004-05
FUND	FY2001-02	Allocation	**$8,841,947**	**$13,399,419**
General Fund Bureaus..	$9,076,177	31.95727%	$2,825,645	$4,282,088
Street Light (PDOT).....	$92,664	0.32627%	$28,849	$43,718
BOEC @ 77%.....	$697,701	2.45661%	$217,212	$329,171
OPDR.....	$147,763	0.52027%	$46,002	$69,714
Unused	$0	0.00000%	$0	$0
Subtotal.....	**$10,014,305**	**35.26042%**	**$3,117,708**	**$4,724,691**
PDOT (net).....	$4,878,875	17.17854%	$1,518,918	$2,301,825
BOEC (net).....	$227,515	0.80108%	$70,831	$107,340
Buildings (OPDR)	$1,916,350	6.74748%	$596,608	$904,123
BES	$3,519,787	12.39319%	$1,095,799	$1,660,615
Hydroelectric	$21,420	0.07542%	$6,669	$10,106
WATER	$3,534,538	12.44513%	$1,100,391	$1,667,575
Golf Operating	$246,672	0.86853%	$76,795	$116,378
PIR	$42,640	0.15014%	$13,275	$20,117
Refuse Disposal	$70,697	0.24892%	$22,010	$33,354
Environ. Remediation	$992	0.00349%	$309	$468
Parks Bond Const.	$0	0.00000%	$0	$0
Parks Construction	$99,849	0.35157%	$31,086	$47,108
Facilities Services	$254,719	0.89687%	$79,300	$120,175
Fleet Operating	$514,925	1.81305%	$160,309	$242,939
Print & Distribution	$184,068	0.64810%	$57,305	$86,842
BIT	$1,138,853	4.00991%	$354,554	$537,304
Insurance & Claims	$69,099	0.24330%	$21,512	$32,601
Health Insurance	$39,103	0.13768%	$12,174	$18,449
LID	$57,857	0.20371%	$18,012	$27,297
FPD&R	$82,757	0.29139%	$25,764	$39,044
Housing Investment	$328	0.00115%	$102	$155
Comm. Services	$292,866	1.03118%	$91,177	$138,172
Public Safety Fund	$583	0.00205%	$182	$275
Worker Comp. Oper.	$90,510	0.31869%	$28,178	$0
PDC	$1,101,673	3.87900%	$342,979	$519,763
TOTAL All Funds.....	$28,400,981	100.00000%	$8,841,947	$13,356,717

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 flucuate 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 subequent forecasts.