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

As Of....	06-Dec-2005	Previous Forecast.....	28-Nov-2005

December Financial Forecast Shows Smaller Out-Year Resource/Requirements GAP

Item	June Forecast	December Forecast	Difference vs. Approved
Council Discretionary Available FY2006-07.....	*$307,792,589*	*$323,997,674*	*$16,205,085*
Requirements:			
Capital Set-Aside.....	*$1,915,000*	*$1,915,000*	*$0*
Council Set-Asides.....	*$37,747,026*	*$35,526,037*	*($2,220,989)*
One-Time Budgets.....	*$0*	*$171,667*	*$171,667*
Bureaus & Programs.....	*$265,642,941*	*$276,435,556*	***$10,792,615***
CAL Requirements..	*$305,304,967*	*$314,048,260*	*$8,743,294*
Resources Less CAL	*$2,487,623*	*$9,949,415*	*$7,461,792*
Programs FY06-07.....	*($4,928,200)*	*($2,705,672)*	*$2,222,528*
Available One-Time...	***$7,415,823***	*$12,655,084*	*$5,239,261*
Programs FY07-08.....	***($4,928,200)***	*($2,705,672)*	***$2,222,528***
Available One-Time.....	***$8,439,277***	***$9,899,583***	***$1,460,306***

Shortalls Reduced, CAL Reductions To Balance Are Lower

- *The December financial forecast shows continued improvement in forecast revenues as both the state and regional economies rebound from the last recession. Resources in this forecast for FY2006-07, are up $16.2 million. Revenues are up about $9.6 million with $6.2 million of the increase concentrated in business license revenues. All other revenue categories are up net by about $3.4 million. Property taxes are up almost $1 million, while interest income reflects higher interest rates.*
- *Estimated bureau CAL requirements are up $10.8 million. Assumed set-asides are down $2.2 million. Estimated discretionary healthcare cost increases (both "CAP" and increase from CAP to 95/5) have been incorporated into bureau CAL estimates or "targets," for FY2006-07.*
- *The General Fund's financial condition is improved. Projected out-year deficits can be eliminated with CAL reductions of $2.7 million in each of next two budget cycles compared to about $4.9 million each year for two years estimated in last June's financial forecast.*

Current Outlook

Both Regional And State Economies Expand

The state and regional economies grew briskly throughout calendar 2005. The state's most recent economic and revenue forecast notes that Oregon recently ranked sixth in nonfarm employment growth and that, "evidence points to a well established economic recovery in the job market." Locally, this translates into rebounding transient lodging and business tax revenue growth. A major uncertainty is the ultimate impact of hurricanes Katrina and Rita and higher oil prices.

Health Benefits Costs

The five-year financial forecast remains uncertain. The forecast assumes "95/5" healthcare cost sharing for FY2006-07. Forecast out-years follow Council's existing Resolution #36274 on healthcare cost sharing for all bargaining units, including Police and Fire. The extension of "95/5" cost sharing to forecast out-years for any bargaining unit unbalances the forecast; higher CAL reductions will be required.

Some Key Forecast Assumptions

M50 Assess. Value $1000....	$38,179,065	***State Cigarette & Liquor Tax Revenues To City.....***	*$10,323,038*
FY2006-07 M50 Tax Base....	$174,745,579		
M50 Compression Loss.....	*($6,116,095)*	***CPI-W Increase (2nd Half '04 To 2nd Half '05, for COLAs).....***	***3.8%***
Est. Tax Base Imposed.....	$168,629,483		
Delinquency/Discount(%)....	*-5.5%*	***Measure 50 FPD&R Levy.....***	*$91,848,442*
Delinquency/Discount ($)....	*($9,147,580)*	***Beginning General Fund FY2006-07 Balance.....***	*$18,451,146*
FY07 Tax Base Revenues....	$159,481,904		
County M50 Levy.....	$199,662,829	***Estimated Urban Renewal Divide-The-Taxes (11 Districts)..***	*$62,142,691*
Library-Local Option.....	$34,706,782		
Total-County Levies.....	*$234,369,611*	***Current Forecast: FY2006-07 to FY2010-11***	

Forecast FY2006-07 resources are up net $16.2 million compared to last June's forecast done in conjunction with Council's Adopted Budget. Revenues are up net $9.6 million. This is due in large part to a $6.2 million increase in the Business License revenue estimate. Transient lodging taxes are up about $322,200. Both of these increases result from a regional economy that has just about wiped out recession losses and is entering an expansion phase. Transient lodging tax revenues have already surpassed their pre-911/recession peak.

Interest income is up sharply on rising short term interest rates. This trend is expected to continue on into calendar 2006. State, cigarette and liquor tax revenues are up marginally compared to last June. The ending balance estimate is post period 4 OUTLOOK and reflects audited FY2004-05 financial results and "Fall BuMP" adjustments.

Revenue Forecast RECAP-First Year Budget, FY2006-07			
General Fund Revenue Category	**June Forecast**	**December Forecast**	**Difference**
Property Taxes.....	**$163,018,036**	**$163,948,095**	$930,058
Transient Lodgings.....	**$12,511,334**	**$12,833,539**	$322,206
Business Licenses.....	**$44,934,998**	**$51,104,490**	$6,169,493
Utility License/Franchise.....	**$58,205,057**	**$59,162,137**	$957,080
State Revenues.....	**$10,080,151**	**$10,323,038**	$242,887
Interest Income.....	**$1,676,772**	**$2,598,141**	$921,369
Transfers IN.....	**$756,202**	**$756,252**	$50
Miscellaneous.....	**$4,790,841**	**$4,820,836**	$29,995
Revenue Forecast.....	**$295,973,391**	**$305,546,528**	$9,573,136
Beginning FUND Balance....	**$11,819,198**	**$18,451,146**	$6,631,948
Forecast Resources.....	**$307,792,589**	**$323,997,674**	$16,205,085
% Change In Revenues.....		**3.23%**	
% Change In Resources.....		**5.26%**	

Utility license and franchise fees are up about $957,000 in this forecast. Recent natual gas energy related rate increases and a small amount of growth in electricity franchise fees have combined to offset declining Qwest revenues and flat Water and BES license fees.

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of $174.75 million. This is not materially different from last December. The forecast calls for 2.95% assessed value growth on taxable assessed values. About 0.25% of this growth is the result of expected new construction. Assessed value growth under Measure 50 continues to fall below the "advertised" 3 percent minimum. Taxable assessed value growth has averaged about 2.4% over the past four years. This puts property tax revenue growth well below the region's average inflation rate and lowers the General Fund's overall potential revenue growth rate making it more difficult to fund current service levels.

Revenue Forecast ASSUMPTIONS	
Revenue Category	**FY2006-07**
CITY Property Tax Levies.....	
Measure 50 Taxbase Levy.....	$174,745,579
Local Option & UR Collections	$107,385,235
Measure 50 FPD&R Levy.....	$91,848,442
City Local Government Total....	**$373,979,255**
MULTNOMAH County Levies	
Measure 50 Levy Authority.....	$199,662,829
Local Option Levy (Library).....	$34,706,782
Mult. County Levy Total.....	**$234,369,611**
M50 Assessed Value Growth....	2.95%
Percent of FY2004-05 Levies	
Not Received First Year.....	-5.45%
Measure 50 Compression.....	**-3.50%**
Est. Portland Population.....	561,300
GDP Growth (Economy.Com)....	**0.9%**
Revenue Sharing (State).....	$10,323,038

The FPD&R levy is expected to total $91.85 million, up $6.2 million over the current fiscal year. This levy estimate is preliminary; FPD&R's board has not yet approved a new five-year FPD&R forecast and FY2006-07 budget. The forecast also continues to assume property tax revenues are generated under DOR's new Shilo-Inn tax rules.

THE BOTTOM LINE: The forecast shows that General Fund resources are improved over last June's forecast, but out-year health benefits costs increases, a higher PERS employer contribution rate, and labor contract cost above CPI-W combine to push costs above last June's estimate. The result is some net improvement in the General Fund's financial outlook, but the forecast still continues to require on-going reductions over the next two budget cycles to balance.

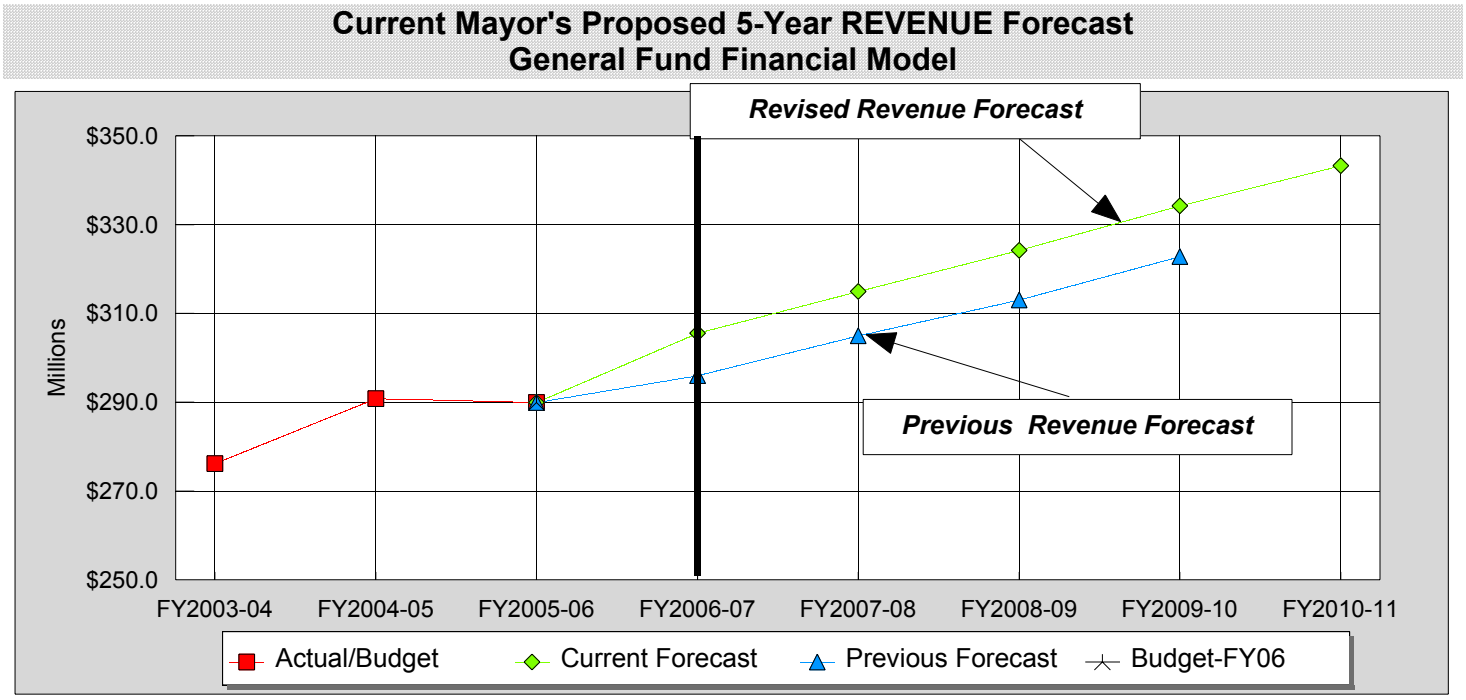

Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is a national economy that continues to expand at moderate rates, as well as a growing regional economy. The metro area's economy is finally reaching previous peak employment levels and appears poised to enter the expansion phase of this cycle in the coming months.

Figure 1 summarizes the 5-year revenue forecast off of the FY2005-06 base. Revenue growth remains critically dependent on assessed value growth. Revenue growth is forecast to average 3.1 percent over the next five years reflecting improved regional economic performance over the next couple of years. This means that cyclical revenues, transient lodging taxes and business license revenues, will grow at higher rates consistent with an expanding economy.

Adopted Budget FY2006-07 General Fund current allocation level (CAL) costs are $276.4 million, versus the initial forecast's $265.6 million last June. CAL targets are $10.8 million higher than the previous forecast. About $5.2 million of this results from incorporating expected FY2006-07 "95/5" health benefits cost increases directly into bureau CAL targets. Similarly, about $1.2 million of PERS cost increases held in a set-aside have also been moved into bureau targets. Increased labor contract costs for Police and Fire added another $4.5 million to CAL targets. About $2.2 million of this increase resulted from a "true-up" of actual experience with Police (sworn personnel) "95/5" health benefits cost sharing. Actual experience for this labor unit has come in well above initial cost estimates. Otherwise, the forecast is based on an expected 3.8 percent COLA pending publication next February of actual Portland CPI-W data.

Estimated Current Allocation Level Forecast	
Assumptions	**FY2006-07**
FY2006-07 CAL Targets	
June CAL Targets Forecast.....	$265,642,941
December CAL Forecast.....	$276,435,556
Difference In CAL Forecasts.....	$10,792,615
General Inflation Rates.....	
GDP Price Deflator.....	2.2%
CPI-W% (Dec.'04-Dec.'05).....	**3.8%**
Benefits CAP Escalation.(*).....	**5.8%**
Producer Price Index.....	2.8%
CPI-Energy.....	2.3%
External M&S.....	
General-Overall.....	2.7%
Energy-Electricity.....	4.0%
Energy-Gas.....	18.0%
Sewer.....	8.9%
Water.....	4.0%
Utilities-Overall.....	8.3%
Internal M&S.....	
General-Overall.....	2.7%
Risk/Workers' Comp.....	3.2%
Wage & Salary % Increase.....	
Public Safety.....	**3.8%**
All Other.....	**3.8%**

(*) Not applicable to sworn Police personnel.

COUNCIL set-asides, FY2006-07, as assumed for this financial forecast are shown in the table at the right:

- The compensation set-aside is $6.1 million and includes only estimated wage and salary cost increases. Estimated FY2006-07 95/5 health benefits cost increases have been moved into bureau CAL targets. The "comp" set-aside has been estimated using a December to December CPI-W (Portland) increase of 3.8 percent.

- The capital set-aside (net of related debt service requirements) remains at $1.9 million net of $1 million included in Fire's target. Capital related "Other Debt Service" totals about $1.67 million for FY2006-07 and now includes $757,000 of debt service on new affordable housing projects.

- Approved set-asides assume a $5 million transfer to the General Reserve. This amount, along with some excess reserves are assumed used in forecast out-years thus lowering the CAL reductions required to balance.

Forecast Council Set-Asides		
	Forecast FY2006-07	
Set-Aside Item	**Last June**	***Current***
Compensation Set-Aside.....	***$6,621,348***	***$6,129,031***
ESA(*) Set-Aside/Planning.....	$369,411	$373,004
Street Light O&M.....	$4,835,676	$4,876,282
General Fund Contingency.....	$3,200,000	$3,200,000
Unforeseen & Inventory.....	$2,000,000	$2,000,000
Subtotal-Contingency	$5,200,000	$5,200,000
Capital Set-Aside.....	$1,915,000	$1,915,000
PFFA Contract Offer.....	$1,920,999	$0
ESA Set-Aside/BES.....	$361,913	$345,488
Voter Owned Elections.....	$447,526	$447,526
City Hall Debt Service.....	$2,420,700	$2,420,700
POBS Debt Service.....	**$7,707,143**	**$7,307,031**
Other Debt Service.....	$1,665,000	$1,665,000
Health Benefits - Option #2.....	$3,277,957	$0
City Hall Maintenance Reserve.	$294,310	$294,310
Housing Trust Fund.....	$495,622	$495,622
Park-CAL/on going Maint.....	$448,706	$453,070
Unused Line.....	$0	$0
Transfer General Reserve.....	$0	$5,000,000
PERS Increase (Discretionary).	$1,159,580	***$0***
Parks Maint. Transfer.....	$0	$0
Miscellaneous Transfers.....	$521,135	$518,973
Total Budgeted/Council Estimated Council Set-Asides	**$39,662,026**	**$37,441,037**
Difference versus Previous Forecast.....		**($2,220,989)**

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

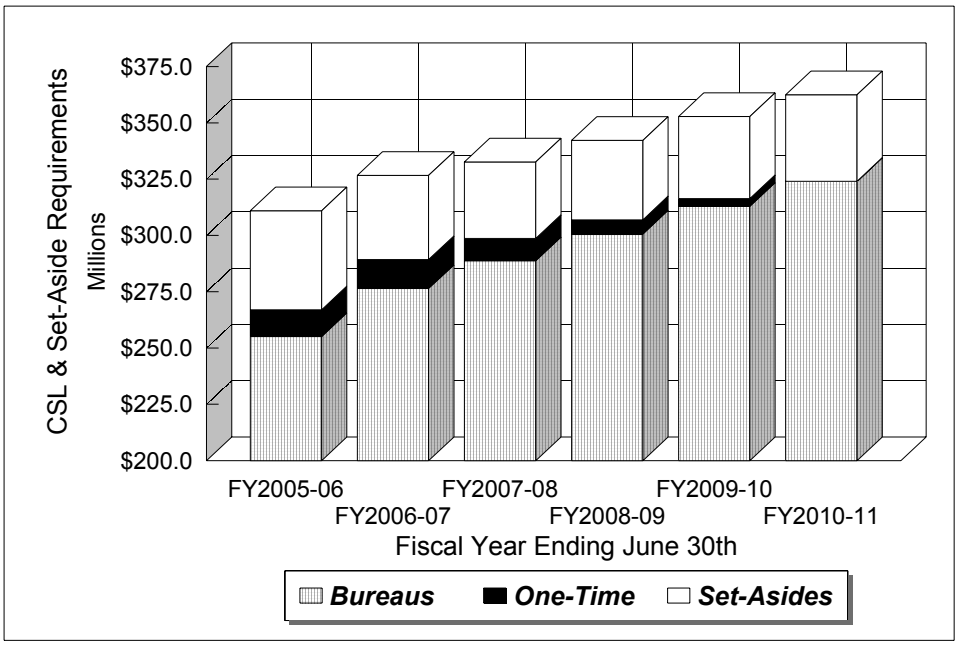

Figure 2-Current Service Level (CAL) Requirements

Other set-asides in Council's current financial plan are Pension Obligation Bond debt service costs of about $7.31 million as estimated by Debt Management.

This financial forecast includes a contingency totaling $3.2 million. This amount is composed of a general contingency of $1.4 million and $1.8 million previously retained out of Police's on going CAL target in last year's budget process.

Set-asides are down net by a-bout $2.2 million in this forecast. This is a result of moving about $7 million into bureau targets as offset by the assumption of a $5 million transfer to the General Reserve Fund.

The table at the right combines the FY2006-07 resource forecast with assumed CAL estimates for FY2006-07. Resources total an estimated $324.0 million. Deducting set-asides of $37.4 million leaves $286.6 million against bureau CAL targets of $276.6 million. Deficits in the out-years of the forecast require that CAL levels be reduced by $2.7 million. One-time resources increase from $10.0 million to $12.7 million. Further CAL reductions in FY2007-08 of $2.7 million are projected to balance the General Fund over the life of the five-year forecast. One-time FY2007-08 resources available to Council are estimated at $9.9 million in this forecast.

Sources & Uses of Funds: Financial Forecast FY2006-07		
	Budget	FY2006-07
Item	FY2005-06	***Forecast***
Forecast FUND Revenues.....	$289,930,293	$305,546,528
Beginning FUND Balance.....	$21,005,245	$18,451,146
Total FUND RESOURCES	*$310,935,538*	*$323,997,674*
Less: Council Set-Asides.....	($42,171,887)	($35,526,037)
Less: Capital Set-Aside.....	($1,789,327)	($1,915,000)
EQUALS: AVAILABLE TO BUREAUS-PROGRAMS.....	$266,974,329	$286,556,637
Bureaus CAL Requirement.....	$266,974,329	$276,607,223
EST. GAP, DIFFERENCE.....	**$0**	**$9,949,415**
AVAILABLE On-Going FY2006-07.....		**($2,705,672)**
New One-Time...FY2006-07.....		**$12,655,084**

The out-years of the financial forecast continue to indicate that large deficits start to appear in FY2009-10 rising to about $6.1 million in FY2010-11. Increased health benefits costs are currently forecast to add $8.1 million to CAL costs by FY2010-11. It is also useful to remember that:

- Resources estimates continue to be impacted by Council's "capping" of Water and BES utility license fees. The initial FY2005-06 impact was only $1.2 million, but this number is expected to rise to about a $5.9 million revenue loss in the fourth year of this forecast.

- Expenditure estimates are net $2.2 million higher in this forecast due to escalating costs associated with "95/5" health benefits sharing for Police. OMF's revised estimates are about 50 percent higher than initial cost estimates done previously. Actual costs appear to be 4 to 5 times the union's estimate.

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

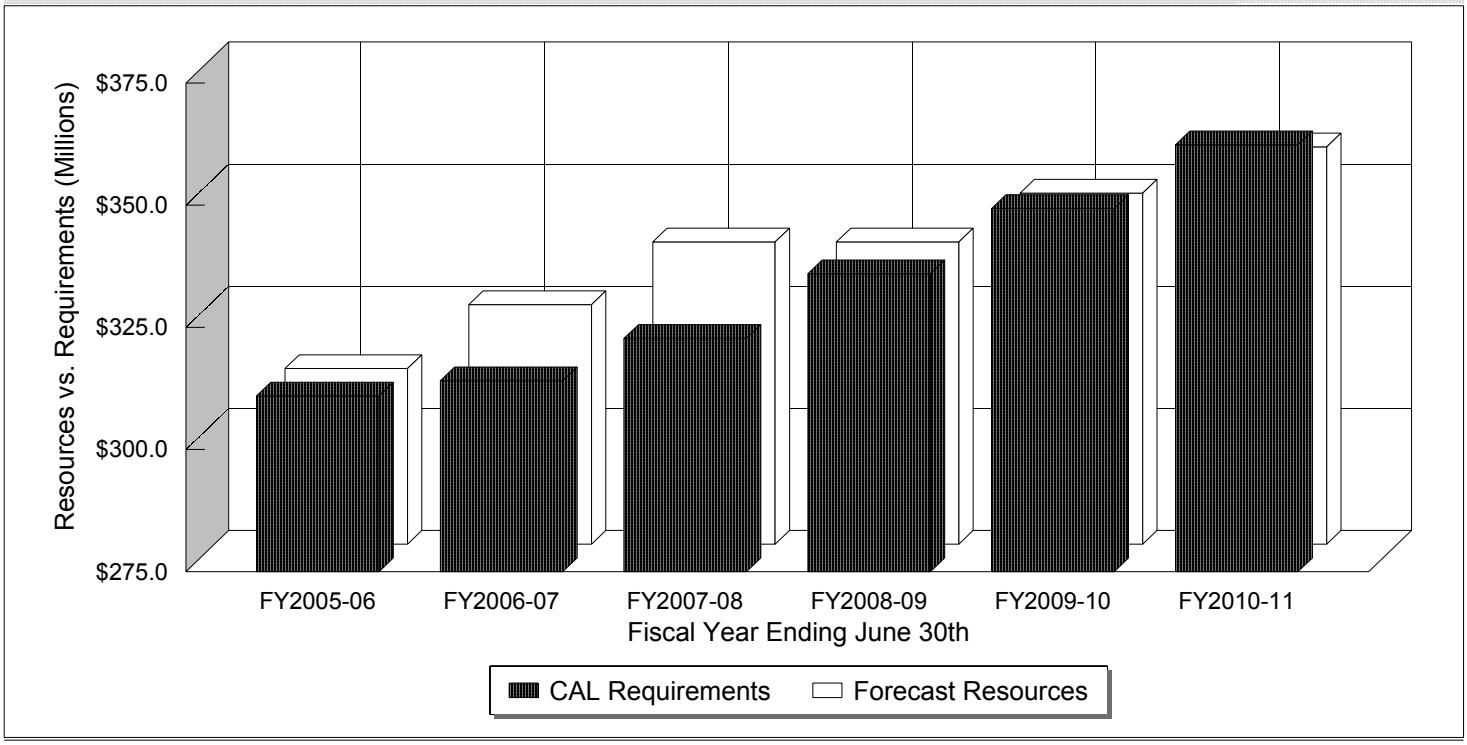

Figure 3-Financial Forecast Resources Compared To Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total $651.106 million for two-years ending FY2007-08.
- Requirements, after reductions are $628.437 million over two years with $22.6 million available one-time for the two year period.
- The General Fund is balanced for the life of the forecast with on-going CAL cuts of $2.7 million in each of the next two years.

	Resources & Requirements Summary Next Two Years			
	Budget	Current 2 Year Forecast		
	FY2005-06	FY2006-07	FY2007-08	Total
Item-Category ▼ Resources →	$310,935,538	$323,997,674	$327,108,639	***$651,106,314***
Less: Assumed Set-Asides				
TANS Interest Expense.....	$0	$0	$0	$0
Compensation Set-Aside.....	$6,670,526	$6,129,031	$5,735,999	$11,865,029
Other Set-Asides				
Contingency.....	$3,759,326	$3,200,000	$3,200,000	$6,400,000
Unforeseen Reimbursable.....	$2,000,000	$2,000,000	$2,000,000	$4,000,000
Subtotal-Contingency.....	$5,759,326	$5,200,000	$5,200,000	$10,400,000
Capital Set-Aside.....	$1,789,327	$1,915,000	$1,915,000	$3,830,000
PERS Debt Service.....	$6,033,880	$7,307,031	$8,486,412	$15,793,443
Other General Fund Debt Service.....	$1,962,949	$1,665,000	$1,664,625	$3,329,625
City Hall/Precincts-Debt Service.....	$1,624,240	$2,420,700	$2,419,250	$4,839,950
Street Light O&M Transfer.....	$4,664,552	$4,876,282	$5,103,094	$9,979,375
Transfer To General Reserve.....	$5,568,149	$5,000,000	$0	$5,000,000
ESA Set-Aside (BES).....	$352,056	$345,488	$355,205	$700,693
1900 Building Offset.....	$475,000	$0	$0	$0
PERS Increase.....	$1,159,580	$0	$0	$0
City Hall Maintenance Reserve.....	$294,310	$294,310	$294,310	$588,620
ESA Set-Aside (Planning).....	$359,349	$373,004	$383,495	$756,499
Voter Elections.....	$447,526	$447,526	$447,526	$895,052
City PFFA Contract Set-Aside	$1,868,638	$0	$0	$0
Healthcare Funding Option#2.....	$0	$0	$486,911	$486,911
Housing Trust Fund.....	$2,482,122	$495,622	$495,683	$991,305
Parks On-Going Maintenance.....	$436,484	$453,070	$465,813	$918,884
Public Safety Fund.....	$17,500	$0	$0	$0
Parks One-Time Maintenance, Other.	$1,478,743	$0	$0	$0
BIT & Miscellaneous Transfers.....	$516,957	$518,969	$523,222	$1,042,191
Subtotal, Assumed Set-Asides.....	$43,961,214	$37,441,033	$33,976,544	$71,417,577
Bureau Requirements & One-Time.....	$266,974,325	$276,607,232	$285,937,512	$562,544,744
Total Requirements.....	$310,935,538	$314,048,260	$319,914,056	**$633,962,321**
Resources less Requirements				
Equals Excess(+)/CAL Gap(-).....	$0	**$9,949,415**	**$7,194,583**	
on going Program Reductions.....	$0	**($2,705,672)**	**($2,705,672)**	**($5,411,344)**
Available One-Time.....	$0	**$12,655,084**	**$9,899,583**	**$22,554,667**

FY2006-07 Through FY2010-11 Financial Forecast Summary

The five-year financial forecast shows that the General Fund faces a gap between resources and requirement of about $6.1 million in the last year of the forecast, FY2010-11. Resources are sufficient to fund existing service levels possibly through to FY2008-09. In FY2008-09 a small surplus is currently estimated at $887,828. This works out to 0.26 percent of FY2008-09 resources and 0.30 percent of FY2008-09 bureau requirements. The deficit in the fifth year of this forecast is improved by about $4.8 million compared to last June's estimate, which put the gap at $10.9 million. New revenue growth in this forecast and reduced health benefits cost estimates have combined to significantly reduce the gap.

	Forecast	**Financial Forecast Out-Years**			
Item	2007	2008	2009	2010	2011
Resources.....	$323,997,674	$336,851,925	$336,855,545	$346,872,566	$356,297,630
Requirements.....					
Bureau Requirements.	$276,435,559	$288,756,813	$300,663,010	$312,910,571	$324,004,621
One-Time Budgets.....	**$171,667**	**$0**	$0	$0	$0
Council Set-Asides.....	$37,441,037	$33,976,544	$35,304,707	$36,445,063	$38,344,696
GAP-Surplus(Deficit)..	***$9,949,412***	***$14,118,568***	***$887,828***	***($2,483,067)***	***($6,051,687)***

Out-Year Detail Of Recommended 5-Year Financial Plan

The financial forecast shows that the General Fund can be balanced over the next two-year budget cycle with CAL reductions of $2.7 million in FY2006-07 and FY2007-08. This is the current estimate, prior to Council's FY2006-07 budget process. OMF continues to recommend that Council close the remaining gap in stages so as to avoid "over-cutting." Future forecasts may show improved resource estimates. In addition, Council is embarking on a full blown strategic planning process. Staging reductions will allow Council to make reductions that more readily reflect actual community priorities generated by the strategic planning process. Reductions of $2.7 million per year are indicated over the next two years.

	Forecast	**Financial Forecast Out-Years**			
Item	2007	2008	2009	2010	2011
Total Resources.....	$323,997,674	$325,525,414	$334,906,946	$345,275,640	$354,713,891
Transfer In From General Reserve.....	$0	$1,583,225	$1,583,225	$1,583,225	$1,583,225
Bureaus & Programs.....	$276,435,559	$288,756,813	$300,663,010	$312,910,571	$324,004,621
Capital Set-Aside.....	$1,915,000	$1,915,000	$1,915,000	$1,915,000	$1,915,000
Est. CAL Reduction.....	***($2,705,672)***	***($5,524,301)***	***($5,732,566)***	***($5,941,036)***	***($6,135,328)***
Planned One-Time.....	*$171,667*	*$0*	*$0*	*$0*	$0
New One-Time.....	*$12,655,084*	$9,899,583	$6,255,021	$3,444,267	$83,127
Pension Bonds P&I.....	***$7,307,031***	***$8,486,412***	***$8,820,200***	***$9,167,761***	***$9,514,697***
Council Set-Asides.....	$28,219,006	$23,575,132	$24,569,507	$25,362,302	$26,914,999
Total Requirements	$323,997,675	$327,108,639	$336,490,171	$346,858,865	$356,297,117
Difference	***($0)***	*($0)*	*($0)*	*$0*	*($0)*
Reserve Fund As A Percent Net Revenues	11.7%	11.6%	11.4%	11.3%	11.1%

Risks To The Financial Forecast

This forecast assumes continued national economic expansion as well as continued local recovery. There are several uncertainties that could adversely affect this forecast:

- *The long term effect of the Shilo-Inn rule on property tax compression is not known.*
- *Hurricanes Katrina and Rita and the related problem of steep energy cost increases could easily pitch the national economy back into recession if the higher oil prices persist.*
- *Failure of voters to reauthorize the Parks local option levy would probably pressure Council to "backfill" Parks' revenues loss, upsetting the forecast beginning FY2008-09.*
- *Uncertainty about actual health benefits costs will only be resolved through labor negotiations.*

Two-Year Forecast Resources-By Budget Category Detail			
Category	*FY2005-06*	*FY2006-07*	*FY2007-08*
RESOURCES	***Budget***	***Forecast***	**Forecast**
Property Taxes			
Current Year Taxes	$154,181,404	$159,439,177	$163,772,707
Prior Year Taxes	$3,769,106	$3,727,498	$3,471,880
Payment in Lieu of Taxes	$728,458	$781,420	$787,455
Total Property Taxes	*$158,678,968*	*$163,948,095*	*$168,032,042*
Other Taxes			
Lodging Tax	$12,092,518	$12,833,539	$13,439,634
Licenses & Permits			
Business Licenses	$44,418,253	$51,104,490	$53,180,861
Utility License-External	$40,768,247	$42,168,663	$43,320,385
State Sources(*)			
State Shared Revenue	$10,075,895	$10,323,038	$10,170,976
Local Government			
Local Shared Revenue	$2,606,249	$2,740,836	$2,882,372
Miscellaneous Revenues			
Refunds	$30,000	$30,000	$30,000
Interest on Investments	$1,545,510	$2,598,141	$2,531,504
Other Misc. Revenues			
Other Misc. Revenues	$50,000	$50,000	$20,000
Unforeseen Reimbursable	$2,000,000	$2,000,000	$2,000,000
Transfers, Other Funds			
Utility License-Internal			
Water Operating	$4,035,030	$4,184,153	$4,184,153
Sewer Operating	$12,809,321	$12,809,321	$12,809,321
Miscellaneous			
Parking Facility-Tax Offset	$220,745	$227,367	$234,188
Hyro-Fund Transfer	$200,000	$200,000	$200,000
Fleet Transfer	$68,000	$0	$0
Refuse Disposal	$85,000	$85,000	$85,000
HCD-Indirect	$235,081	$243,885	$243,835
Federal Grants-Indirect	$0	$0	$0
Transfer-General Reserve	$0	$0	$1,583,225
Other Transfers.....	$11,477	$0	$0
Subtotal-Transfers, Misc.	$820,303	$756,252	$2,346,248
Beginning Fund Balance (Unencumbered)	$21,005,245	$18,451,146	$12,161,143
TOTAL DISCRETIONARY	$310,935,538	$323,997,674	$327,108,639
Checksum Total-Page 2	$310,935,538	$323,997,674	$327,108,639
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 budget documents. The italicized categories match 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, Financial Planning Division
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	FY2006-07	FY2007-08
FUND	Liability	Allocation	**$19,416,162**	**$22,550,002**
General Fund Bureaus..	$113,220,532	37.634%	$7,307,031	$8,486,412
Unused Line	$0	0.000%	$0	$0
Unused Line	$0	0.000%	$0	$0
Unused Line	$0	0.000%	$0	$0
OMF Water Billing	$5,194,441	1.727%	$335,239	$389,348
Subtotal.....	**$118,414,972**	**39.360%**	**$7,642,270**	**$8,875,760**
PDOT (net).....	$55,353,650	18.399%	$3,572,416	$4,149,017
BOEC (net).....	$2,863,691	0.952%	$184,817	$214,647
Buildings (OPDR)	$14,372,051	4.777%	$927,544	$1,077,253
BES	$39,339,048	13.076%	$2,538,865	$2,948,647
Hydroelectric	$301,512	0.100%	$19,459	$22,600
WATER	$35,663,418	11.854%	$2,301,647	$2,673,142
Golf Operating	$2,463,617	0.819%	$158,997	$184,660
PIR	$474,263	0.158%	$30,608	$35,548
Refuse Disposal	$765,022	0.254%	$49,373	$57,343
Environ. Remediation	$17,664	0.006%	$1,140	$1,324
Parks Bond Const.	$1,364,839	0.454%	$88,084	$102,301
Parks Construction	$22,808	0.008%	$1,472	$1,709
Facilities Services	$2,448,974	0.814%	$158,052	$183,562
Fleet Operating	$5,754,901	1.913%	$371,410	$431,358
Print & Distribution	$1,950,214	0.648%	$125,863	$146,178
BIT	$4,415,659	1.468%	$284,978	$330,975
Insurance & Claims	$1,074,638	0.357%	$69,355	$80,549
Health Insurance	$454,740	0.151%	$29,348	$34,084
LID	$1,025,116	0.341%	$66,159	$76,838
FPD&R	$613,561	0.204%	$39,598	$45,989
Unused Line	$0	0.000%	$0	$0
Comm. Services	$2,424,167	0.806%	$156,451	$181,702
Arena/Facilities	$0	0.000%	$0	$0
Worker Comp. Oper.	$1,005,190	0.334%	$64,873	$75,343
PDC	$8,264,630	2.747%	$533,383	$619,473
TOTAL All Funds.....	$300,848,346	100.00000%	$19,416,162	$22,550,002

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

	2009	2010	2011
Out-Year Debt Service.....	$23,436,939	$24,360,474	$25,424,751

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.