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

As Of.... 21-Dec-99

Forecast Shows Higher Resources, With $1.55 Million On-Going, Above CSL Costs Available To Council

Item	Adopted Financial Plan	December Forecast	Differences From Plan
Council Discretionary Available FY2000-01.....	*$273,934,532*	*$275,258,260*	*$1,323,728*
Requirements:			
Capital Set-Aside.....	*$5,000,000*	*$4,063,846*	*($936,154)*
Council Set-Asides.....	*$34,311,458*	*$36,584,177*	*$2,272,719*
One-Time Bureaus	*$0*	*$256,159*	*$256,159*
Bureaus, On Going.....	*$231,843,047*	*$232,801,077*	*$958,030*
Fund Requirements..	*$271,154,505*	*$273,705,259*	*$2,550,754*
Resources Less Requirements EQUALS.....	*$2,780,027*	*$1,553,002*	*($1,227,026)*
Programs FY2000-01.....	*$1,145,294*	***$1,553,002***	*$407,708*
Available One-Time.....	*$1,634,733*	***$0***	*($1,634,733)*
Programs FY2001-02.....	*$0*	***$902,650***	*$902,650*
Available One-Time.....	*$1,495,716*	***$1,161,905***	*($333,811)*

$1.55 Million On-Going Above CSL Available For FY2000-01

- *Forecast revenues are up $3.218 million compared to the previous forecast. The beginning fund balance estimate however, is $1.895 million lower. Resources are up net over the financial plan by $1.323 million.*
- *CSL costs are $2.550 million higher than the financial plan and total about $273.705 million. Resources less estimated CSL requirements leaves Council with $1.553 million available, all on-going, and compared to a financial plan of $1.145 million on-going and $934,733 one-time.*
- ***CSL estimates do not include the $2.6 million one-time FY1999-00 budgets and $900,000 of Risk inter-agency increases.***
- *The forecast shows about $902,650 available on-going and $1.162 million available one-time for the second year, FY2001-02, budget. The financial plan estimated that about $1.495 million of one-time would be available to Council in the FY2001-02 budget.*

Resource Outlook

December Forecast: Higher Revenues, Lower Balance

The December forecast shows improved revenues but a lower beginning fund balance estimate. The result is a December FY2000-01 General Fund resource estimate $1.323 million above last June's financial plan. CSL costs are $2.550 million higher; bureau CSL targets are $958,030 higher.

Council set-asides are net, $1,336,564 higher than estimated in Council's adopted financial plan.

Labor Settlements (Police, Fire) A Key Uncertainty

The financial plan assumes a 2.0% FY1999-00 cost-of-living (COLA) adjustment. Contracts with Police and Fire remain unresolved at this time. Contracts in excess of 1.1% on-going plus 0.9%, put financial forecast results at risk. Incorporating settlements in excess of 2.0% (1.1% on-going) alters this forecast, making it much more difficult to support current service levels (CSL).

Some Key Forecast Assumptions

M50 Assess. Value $1000.....	$31,506,840	***State Cigarette & Liquor Tax Revenues To City.....***	*$7,957,661*
FY1999-00 M50 Tax Base.....	$144,206,805	***CPI-W Increase (December '98 To December '99).....***	***3.2%***
M50 Compression Loss.....	*($3,462,643)*	***Measure 50 FPD&R Levy.....***	*$62,899,292*
Est. Tax Base Imposed.....	$140,744,162	***Beginning General Fund FY2000-01 Balance.....***	*$8,480,910*
Delinquency/Discount(%)....	*-5.0500%*	***Estimated Urban Renewal Divide-The-Taxes (7 Districts)...***	***$31,027,575***
Delinquency/Discount ($)....	*($7,107,580)*		
New Tax Base Revenues.....	$133,636,582		
County M50 Levy.....	$166,211,672		
Library-Local Option.....	$22,757,766		
Total-County Levies.....	*$188,969,438*	***Current Forecast: FY2000-01 to FY2004-05***	

Forecast FY2000-01 resources are up $1.323 million (0.48%) compared to the previous forecast. Forecast revenues are up about $3.218 (1.22%) million compared to the financial plan on the strength of higher property taxes and utility license, franchise fee revenues. Property taxes are higher, new construction continues to generate larger than expected increases in assessed values that translate directly into increased property tax revenues. The financial forecast continues to assume values growth of about 1.1 percent from new construction. The business license revenue forecast is unchanged from the previous forecast. Transient lodging taxes revenues are $529,900 below the previous forecast. This reflects delayed convention center expansion and excess room capacity that has developed over the past twelve months. Cigarette and liquor tax distributions are down $907,000; revenues continue to be volatile year-to-year.

Revenue Forecast RECAP-First Year Budget, FY2000-01			
General Fund	FY2000-01		
Revenue Category	Finanical Plan	New Forecast	Difference
Property Taxes.....	$136,583,278	$138,661,975	$2,078,697
Transient Lodgings.....	$11,376,568	$10,846,666	($529,902)
Business Licenses.....	$53,065,824	$53,127,604	$61,780
Utility License/Franchise.....	$45,204,284	$48,032,587	$2,828,302
State Revenues.....	$8,864,888	$7,957,661	($907,227)
Interest Income.....	$2,475,964	$2,126,404	($349,560)
Transfers (*) IN.....	$2,319,747	$2,326,583	$6,836
Miscellaneous.....	$3,667,869	$3,697,869	$30,000
Revenue Forecast.....	$263,558,423	$266,777,350	$3,218,927
Beginning FUND Balance.....	$10,376,109	$8,480,910	($1,895,199)
Forecast Resources.....	$273,934,532	$275,258,260	$1,323,728
% Change In Revenues.....		1.22%	
% Change In Resources.....		0.48%	

(*) Includes $1.65 million of excess reserves from the General Reserve Fund, FY2000-01.

Overall, revenue growth is expected to average about 3.8% per year. Current levy property taxes are forecast to grow at 4.5%. Franchise fees are forecast to growth at 3.7% per year and transient lodging taxes by 4.8% per year. Business licenses grow by 2.7% per year.

Some key revenue forecast assumptions are an "M50" General Fund tax base levy of $144.21 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 the new Measure 50 system and actual property-by-property compression. The property tax revenue forecast also incorporates Council's creation of three new urban renewal districts (River District, Lents, and Macadam) as well as a new "IMAX" urban renewal district. The delinquency and discount rate assumption is 5.05 percent. This assumption is unchanged from the previous forecast even though the delinquency/discount rate was slightly higher during FY1998-99. Last year reversed the trend of a declining delinquency rate. Measure 50 "special" or property-by-property compression is assumed stable at 1.8% of the General Fund's tax levy.

Revenue Forecast ASSUMPTIONS	
Revenue Category	FY2000-01
CITY Property Tax Levies.....	
Measure 50 Taxbase Levy.....	$144,206,805
Local Option Levy.....	$0
Measure 50 F&PD&R Levy(*).....	$62,899,292
FPD&R, General Fund Total.	$207,106,096
MULTNOMAH County Levies	
Measure 50 Levy Authority.....	$166,211,672
Local Option Levy (Library).....	$22,757,766
Mult. County Levy Total.....	$188,969,438
M50 Assessed Value Growth.....	4.1%
Percent of FY2000-01 Levies	
Not Received First Year.....	-5.050%
Measure 50 Compression.....	-1.774%
Est. Portland Population.....	518,995
GDP Growth (RFA).....	2.7%
Revenue Sharing (State).....	$7,957,661

(*) Preliminary, estimated by Financial Management.

THE BOTTOM LINE:The revised forecast shows some improvement in revenues compared to the previous forecast. The bulk of the improvement is in utility license, franchise fee and property tax revenues. The beginning fund balance estimate is down substantlally from the previous forecast reflecting stronger spending out of budgets during FY1998-99 and on into the first quarter of the current fiscal year. The result is a first year budget resource estimate that is slightly above CSL costs.

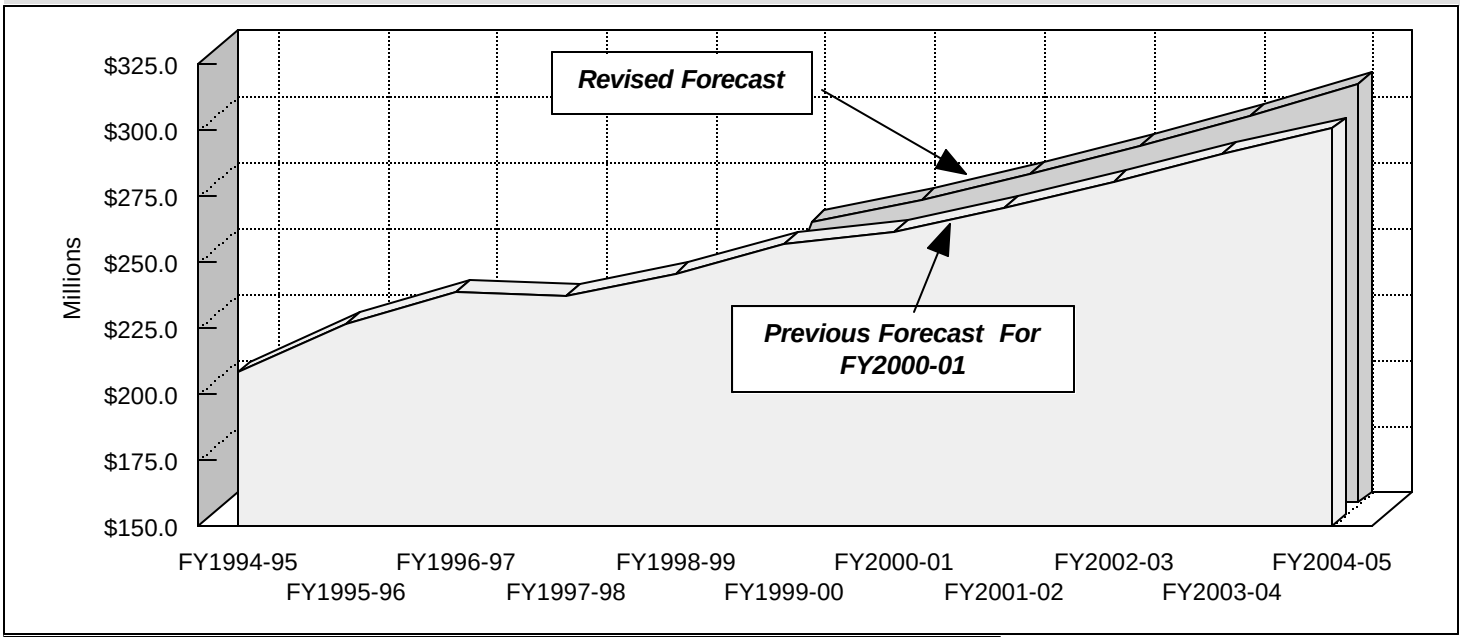

Figure 1-Current General Fund 5-Year Revenue Forecast

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 3.8 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.

Estimated FY2000-01 General Fund current service level (CSL) costs are $232.8 million, up $958,030 million (0.5%) above financial plan. Out-year CSL costs use a 2% (1.1% on-going) FY1999-00 COLA. Higher labor settlement (or arbitration) costs during FY1999-00 increase CSL costs and are a risk to this forecast. Increased Risk Management inter-agency costs are not included in bureau CSL targets with the exception of $103,655 for Planning (AK Media). Council adopted 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 targets are about $542,000 higher, net, due to higher inflation factors.

Estimated Current Service Level Forecast Assumptions	FY2000-01
FY2000-01 CSL Cost	
Estimated-Previous Forecast...	$231,843,047
This CSL Forecast.....	$232,801,077
Difference In CSL Estimates.....	*$958,030*
General Inflation Rates.....	
GDP Price Deflator....(RFA).....	2.0%
CPI-% (Dec.'98-Dec.'99).....	3.2%
Benefits Inflation.....	3.2%
Producer Price Index.....	3.3%
CPI-Energy.....	2.3%
External M&S.....	
General-Overall.....	3.1%
Energy-Electricity.....	0.0%
Energy-Gas.....	1.9%
Sewer.....	8.9%
Water.....	3.0%
Utilities-Overall.....	3.6%
Internal M&S.....	
General-Overall.....	3.2%
Risk/Workers' Comp.....	3.2%
Wage & Salary % Increase.....	
Public Safety.....	3.2%
All Other.....	3.2%

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 increased by $1.1 million. Recent experience shows that refunds need to be budgeted at 8% to 10% of business license revenues.

- Preliminary cashflow analysis shows that the General Fund will have to resume issuing Tax Anticipation Notes (TANS) next year. Interest costs are estimated at $327,740.

- 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 set-aside increases $1 million per year.

- The compensation set-aside is down net, $65,046. This reflects a a 3.2% CPI-W number as offset by a lower DCTU class compensation impact than assumed last Spring. The set-aside also includes a $362,288 provision for non-represented class-compensation cost adjustments. The FY2001-02, compensation set-aside has been sized using a forecast 2.7 percent CPI-W increase.

Adopted Budget Council Budget Set-Asides

Set-Aside Item	Forecast FY2000-01 Financial Plan	Forecast FY2000-01 *New Forecast*
LID & Schools Debt Service	$416,201	$1,348,491
Compensation Set-Aside	$6,859,263	$6,794,217
POBS Debt Service	$2,987,736	$3,223,981
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	***$5,000,000***	***$4,063,846***
Precincts/City Hall Projects	$2,479,350	$2,479,350
Existing Master Lease	$1,437,781	$1,288,733
Subtotal-Capital Set-Aside	$8,917,130	$7,831,928
PDOT-CSL & One-Time(*)	$718,305	$726,034
Street Light O&M Transfer(*)	$4,954,380	$4,956,890
2040 Planning/Town Centers	$736,550	$736,550
Unemployment Insurance	$200,000	$200,000
Business License Refunds	$3,989,937	$5,057,122
City Hall Maintenance Reserve	$350,000	$350,000
TANS Borrowing-Interest	$0	$327,740
Unused Line	$0	$0
Homeless/OMSI-Debt Service	$1,150,000	$1,262,088
Housing Investment Fund	$4,330,000	$4,330,000
Miscellaneous Transfers	$101,954	$102,981
Cultural Tourism (Art Museum)	$200,000	$0
Total Budgeted/Council Adopted Budget Set-Asides	**$39,311,458**	**$40,648,022**
Difference versus Previous Forecast.....		**$1,336,565**

(*) Before 2.5% target reduction.

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

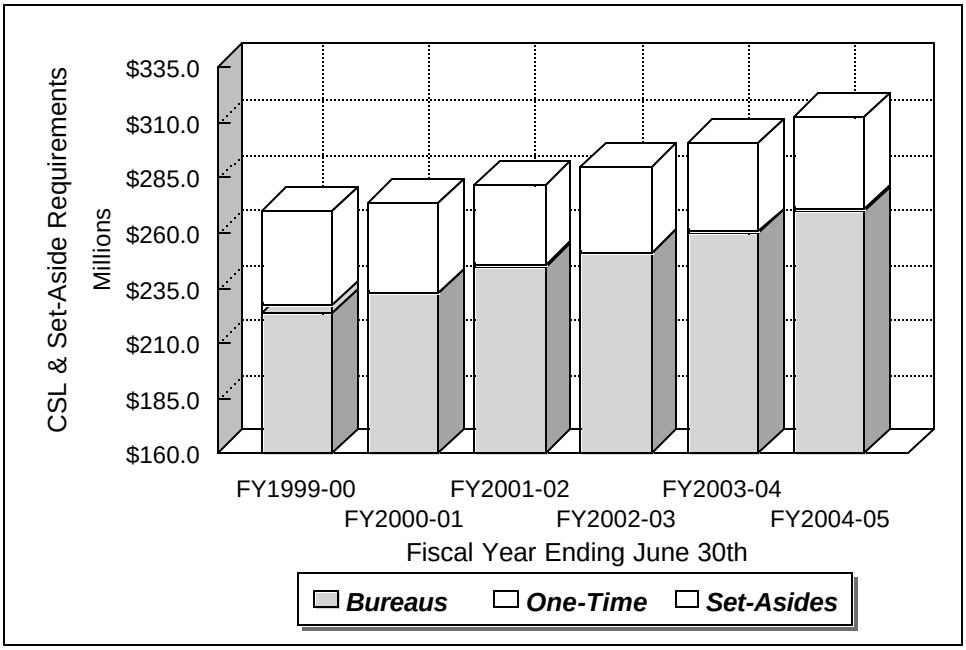

Figure 2-Current Service Level (CSL) Requirements

Set-asides are up net about $1.4 million. The bulk of this increase is located in refunds and TANS interest.

Other set-asides in Council's second year Budget are ununchanged, but Pension Obligation Bonds debt service is $236,245 above last June's estimate. Interest rates are higher than anticipated last 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 over and above CSL requirements.

The table to right combines the FY2000-01 resource forecast with bureau CSL targets plus Council set-asides. Total resources are $275.258 million. Deducting assumed set-asides of $40.648 million leaves $234.610. Bureau CSL targets are $233.057 million leaving $1.553 million on-going and no one-time versus Council's financial plan of $1.145 on-going and $.935 million one-time. The forecast for the second year shows $902,650 on-going and $1.162 million available one-time. FY2001-02 is improved compared to Council's financial plan which previously showed only $1.495 million available one-time for Council's second year budget.

Sources & Uses of Funds: Forecast FY2000-01		
	Budget	FY2000-01
Item	FY1990-00	***New Forecast***
Forecast FUND Revenues.....	$256,844,458	$266,777,350
Beginning FUND Balance.....	$13,584,770	$8,480,910
Total FUND RESOURCES	*$270,429,228*	*$275,258,260*
Less: Assumed Set-Asides.....	($38,845,690)	($36,584,177)
Less: Capital Set-Aside.....	($4,000,000)	($4,063,846)
EQUALS: AVAILABLE TO BUREAUS-PROGRAMS.....	$227,583,538	$234,610,238
Bureaus CSL Requirement.(*).....	$227,583,537	$233,057,236
EST. GAP, DIFFERENCE.....	**$1**	**$1,553,002**
AVAILABLE For ON-GOING PROGRAMS.....		**$1,553,002**
New One-Time...FY2000-01..First Year.....		**$0**

The "Forecast" column, shows that forecast FY2000-01 resources are marginally above Council's plan. As noted elsewhere in this document, the principal reason for this result is a lower beginning fund balance estimate (at period 5 this fiscal year). General Fund spending remains strong relative to slower growing revenues. The beginning balance estimate may improve as more FY1999-00 accounting data becomes available.

On-going labor negotiations and potential Police and Fire labor arbitrations could easily result in compensation adjustments exceeding the financial plan's COLA assumptions. In addition, there is little if any indication that the City's PERS pension obligation has been stabilized by the $300 million dollar November payment to PERS.

The upshot of this discussion is that General Fund resources exceed requirements by about $1.553 million, all on-going, for FY2000-01. The second year numbers show both on-going and one-time resources available. Continuing labor contract and PERS uncertainties however, cloud this picture.

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

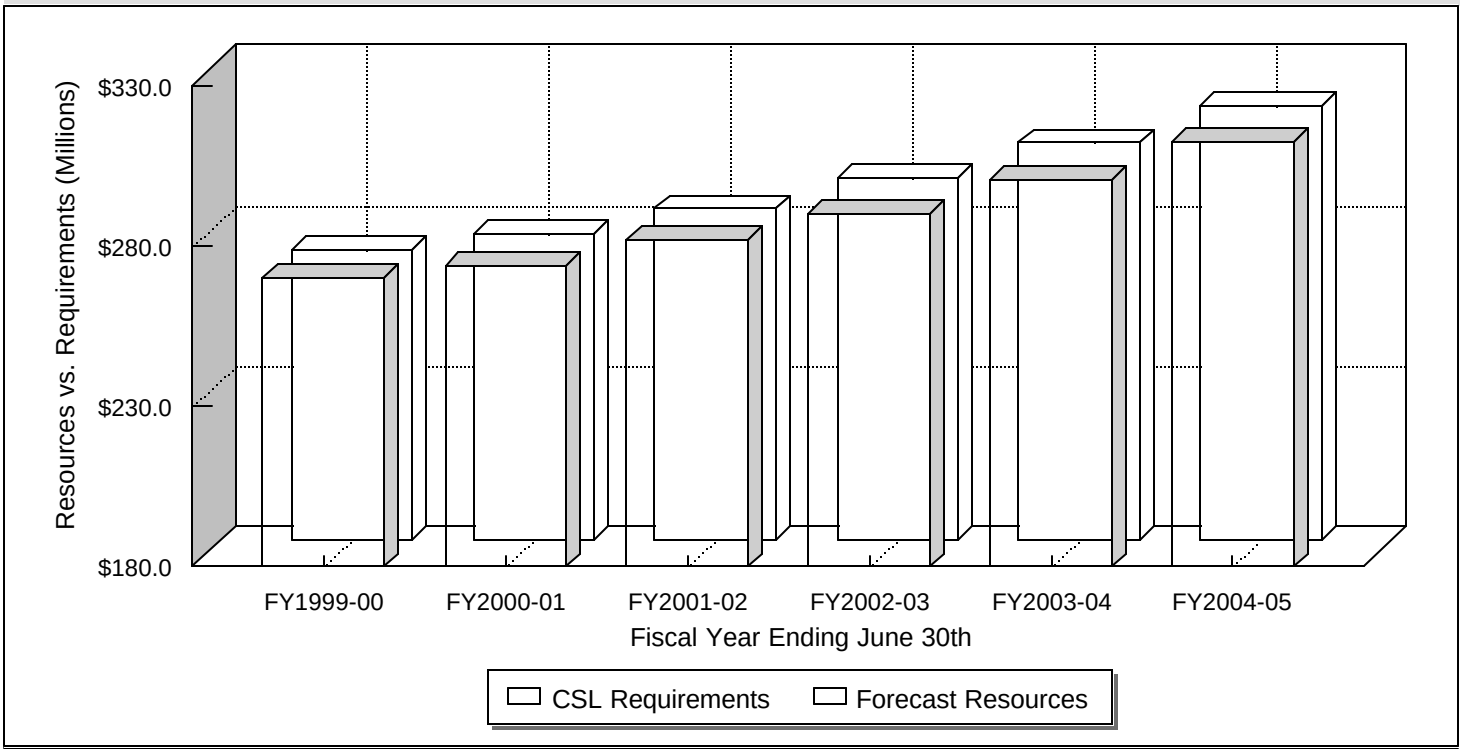

Figure 3-Financial Forecast Resources Compared To Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total $558.395 million for two years ending FY2001-02.
- Estimated requirements total $554.778 million over two years.
- The General Fund CSL resources exceed requirements in the first year budget by about $1,533,002. The second year there appears to be $902,650 million on-going and $1,162,905 one-time.

		Resources & Requirements Summary Next Two Years			
		Budget	Current 2 Year Budget Forecast		
		FY1999-00	FY2000-01	FY2001-02	Total
Item-Category	**RESOURCES**	$270,429,228	$275,258,260	$283,137,342	***$558,395,603***
Less: Assumed Set-Asides					
LID & Other Debt Service		$6,454,900	$1,348,491	$1,350,003	$2,698,494
Compensation Set-Aside		$3,482,208	$7,121,957	$6,147,108	$13,269,065
Other Set-Asides					
Contingency		$2,316,942	$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		$4,316,942	$3,400,000	$3,400,000	$6,800,000
Capital Set-Aside		$4,000,000	$4,063,846	$5,062,950	$9,126,796
PERS Debt Service		$0	$3,223,981	$3,742,995	$6,966,976
Master Lease		$1,357,566	$1,288,733	$1,436,223	$2,724,955
Subtotal-Capital		$5,357,566	$8,576,560	$10,242,168	$18,818,727
City Hall/Precincts-Debt Service		$2,427,396	$2,479,350	$2,479,350	$4,958,700
Street Light O&M Transfer		$4,851,151	$4,956,890	$5,025,127	$9,982,017
2040 Planning		$1,565,048	$736,550	$266,753	$1,003,303
Unemployment Insurance		$200,000	$200,000	$200,000	$400,000
Business License Refunds		$3,935,438	$5,057,122	$5,189,708	$10,246,830
City Hall Maintenance Reserve		$250,000	$350,000	$400,000	$750,000
Y2K Year 2000 Set-Aside		$65,000	$0	$0	$0
PDOT CSL Support, One-Time		$1,419,876	$726,034	$745,752	$1,471,786
Homeless Shelter Debt Service		$1,150,000	$1,262,088	$1,112,113	$2,374,200
Housing Investment Initiative		$6,806,962	$4,330,000	$0	$4,330,000
Misc. Transfers/Transfer To Reserve		$363,203	$102,981	$105,721	$208,702
Cultural Tourism		$200,000	$0	$0	$0
Subtotal, Assumed Set-Asides		$42,845,690	$40,648,022	$36,663,802	$77,311,824
LESS: Estimated Bureau Requirements.....		$227,583,537	$233,057,236	$244,408,985	$477,466,221
Total: Bureaus + Set-Asides.....		$270,429,227	$273,705,259	$281,072,787	***$554,778,046***
Difference: Fund Resources Less Bureau Requirements, Set-Asides....		$1	**$1,553,002**	**$2,064,555**	$3,617,557
Assumed, On-Going Programs.....		$0	$1,553,002	$902,650	$2,455,652
Assumed, One-Time Projects.....		$0	**$0**	$1,161,905	$1,161,905

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 $1.65 million of excess reserves during FY2000-01. This continues to represent Council's planned use of excess reserves. Reserve levels continue at or above the 10% level for the life of the financial forecast.*

- *The scenario used for the 5-year forecast is realistic. Legislative action that reduces revenues, either 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 incorporates 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 the Fire Bureau.

	Two Year Budget		Next Two-Year Budget		Out-Year
Item	2001	2002	2003	2004	2005
Total Resources.....	$273,608,260	$283,137,342	$292,641,003	$303,733,295	$315,387,090
Transfer In From General Reserve.....	$1,650,000	$0	$0	$0	$0
Bureaus & Programs.....	$232,801,077	$244,407,985	$253,699,575	$263,103,180	$272,924,717
Capital Set-Aside(*).....	$4,063,846	$5,062,950	$6,062,850	$7,064,850	$7,061,050
Est. New On-Going.....	***$1,553,002***	***$902,650***	$0	$0	$0
Scheduled One-Time...	*$256,159*	$1,000	$0	$0	$0
New One-Time.....	***$0***	***$1,161,905***	$355,474	$185,387	$1,007,901
Pension Bonds P&I.....	***$3,223,981***	***$3,742,995***	***$4,935,042***	***$5,746,017***	***$6,507,994***
Council Set-Asides.....	$33,360,195	$27,857,857	$27,588,062	$27,633,861	$27,885,427
Total Requirements	$275,258,260	$283,137,342	$292,641,003	$303,733,295	$315,387,090
Difference	***$0***	*$0*	*$0*	*($0)*	*($0)*
Reserve Fund As A Percent Net Revenues	10.1%	***10.2%***	10.4%	10.5%	10.5%

(*) 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 continu 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:

- *Southeast Asia turmoil seems to have resolved itself over the past 12 months but this long economic expansion is clearly generating "pressures" that may yet result in recession.*
- *The "Y2K" problem may generate some disruptions. Continuing Police and Fire labor contrac uncertainties as well as the City's PERS problem represent clear risks to the forecast.*

Two-Year Forecast Resources-By Budget Category Detail			
Category	*FY2000-01*		*FY2001-02*
RESOURCES	***Financial Plan***	***New Forecast***	**Forecast**
Property Taxes			
Current Year Taxes	$132,960,153	$134,495,962	$140,327,234
Prior Year Taxes	$3,111,189	$3,706,912	$3,202,904
Payment in Lieu of Taxes	$511,937	$459,102	$459,102
Total Property Taxes	*$136,583,278*	*$138,661,975*	*$143,989,240*
Other Taxes			
Lodging Tax	$11,376,568	$10,846,666	$11,267,290
Licenses & Permits			
Business Licenses	$53,065,824	$53,127,604	$54,523,238
Utility License-External	$31,689,753	$34,650,587	$36,237,035
State Sources(*)			
State Shared Revenue	$8,864,888	$7,957,661	$7,970,369
Local Government			
Local Shared Revenue	$1,542,869	$1,542,869	$1,542,869
Miscellaneous Revenues			
Refunds	$30,000	$30,000	$30,000
Interest on Investments	$2,475,964	$2,126,404	$2,180,435
Other Misc. Revenues			
Other Misc. Revenues	$95,000	$125,000	$125,000
Unforeseen Reimbursable	$2,000,000	$2,000,000	$2,000,000
Transfers, Other Funds			
Utility License-Internal			
Water Operating	$3,777,000	$3,766,000	$4,013,000
Sewer Operating	$9,737,531	$9,616,000	$10,560,000
Miscellaneous			
Parking Facility-Tax Offset	$183,582	$190,418	$196,131
Hyro-Fund Transfer	$250,000	$250,000	$250,000
Auto Port-Tax Offset	$0	$0	$0
Refuse Disposal	$35,000	$35,000	$35,000
HCD-Indirect	$167,738	$167,738	$167,738
Federal Grants-Indirect	$33,427	$33,427	$33,427
Transfer-General Reserve	$1,650,000	$1,650,000	$0
Supplemental Retire.....	$0	$0	$0
Subtotal-Transfers, Misc.	$2,319,747	$2,326,583	$682,296
Beginning Fund Balance			
Unencumbered	$10,376,109	$8,480,910	$8,016,571
TOTAL DISCRETIONARY	$273,934,532	$275,258,260	$283,137,342
Checksum Total-Page 2	$273,934,532	$275,258,260	$283,137,342
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 will be used to eliminate the City's unfunded PERS pension liability. This should reduce the City's employer's PERS contribution rate from 10.48% (current) 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 has been able to structure the 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.

It needs to be pointed out that first year General Fund POBs debt service cost of $3.2 million reduces on-going available resources available to Council dollar for dollar.

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 serivce costs of $8,048,992. The table below details the allocation of pension bond debt service for the two-year budget period FY2000-02.

			Annual POB Debt Service	
	Bureau	Percentage	FY2000-01	FY2001-02
FUND	Total PERS	Allocation	**$8,048,992**	**$9,344,762**
General Fund Bureaus..	$9,611,990	35.26784%	$2,838,706	$3,295,696
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.....	**$10,916,552**	**40.05447%**	**$3,223,981**	**$3,742,995**
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
Comm. Services	$219,608	0.80577%	$64,857	$75,298
BGS	$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.