

Office of Management & Finance

Current 5-Year Financial Forecast

General Fund-City Of Portland

As Of... **29-Jun-2005** Previous Forecast..... **10-May-2005**

Current Outlook

Council's Adopted Budget Reduces Budgets, Begins Process Of Balancing Over A Three Year Window

Both Regional And State Economies Pickup

Item	Approved Budget	June Adopted Budget	Difference vs. Approved
Council Discretionary Available FY2005-06.....	\$310,106,135	\$310,935,538	\$829,403
Requirements:			
Capital Set-Aside.....	\$1,789,327	\$1,789,327	\$0
Council Set-Asides.....	\$42,278,234	\$42,171,886	(\$106,348)
One-Time Budgets.....	\$11,269,307	\$11,924,654	\$655,347
Bureaus & Programs....	\$254,769,267	\$255,049,670	\$280,403
CAL Requirements..	\$310,106,136	\$310,935,538	\$829,403
Resources Less CAL	(\$1)	(\$0)	\$0
Programs FY05-06.....	\$0	\$0	\$0
Available One-Time...	\$0	(\$0)	(\$0)
Programs FY06-07.....	(\$4,839,000)	(\$4,928,200)	(\$89,200)
Available One-Time.....	\$7,141,574	\$7,419,550	\$277,976

Revised and benchmarked employment numbers for calendar 2004 showed both the regional and state economies to be much stronger than earlier published data had suggested. It now appears that there was no slow down during the last six months of calendar 2004. The revised data show that stronger jobs growth actually occurred. The economy is not out of the woods yet. Job levels are still twenty thousand below the previous cycle's peak. But, conditions are improved and improving.

Approved Budget Balances General Fund Over Three Years

- ◆ The May financial forecast/Approved Budget has been updated. Council has finalized an FY2005-06 Adopted Budget. The June resource forecast shows a net increase in resources of \$829,403. This is due mostly to as increased natural gas related franchise fees. All other revenues are little changed. An increased balance offsets a reduced reserve transfer.
- ◆ The FY2005-06 resource estimate is about \$7 million higher compared to December. This increase occurred in two steps. In March revenues were increased \$1.7 million mostly on higher transient lodging revenues and higher business license revenues. In April revenues were revised upward another \$1.4 million again due principally to increased transient lodging business license tax revenues. The remainder of the increase results from increased beginning balance estimates.
- ◆ Council's Adopted Budget begins the process of paring on-going program costs. Council's financial plan indicates on-going reductions of \$4.9 million per year in FY2006-07 and FY2007-08 are needed to balance.

Cost Uncertainties Remain

The out-years of this forecast remain problematic. This forecast assumes healthcare costs under Option #2 increase from \$3.3 million to about \$5.8 million by FY2009-10. This forecast is preliminary. Fire's labor contract is still unresolved and a new Police contract will be negotiated next year. Successor forecasts could easily show much higher costs than currently projected.

Some Key Forecast Assumptions	M50 Assess. Value \$1000...	\$37,103,034	State Cigarette & Liquor Tax Revenues To City.....	\$10,075,895
	FY2005-06 M50 Tax Base....	\$169,820,589	CPI-W Increase (2nd Half '03 To 2nd Half '04, for COLAs)....	2.7%
	M50 Compression Loss.....	(\$6,538,093)	Measure 50 FPD&R Levy.....	\$86,597,962
	Est. Tax Base Imposed.....	\$163,282,496	Beginning General Fund FY2005-06 Balance.....	\$21,005,245
	Delinquency/Discount(%)....	-5.6%	Estimated Urban Renewal Divide-The-Taxes (11 Districts)..	\$49,634,381
	Delinquency/Discount (\$)....	(\$9,101,093)	Current Forecast: FY2005-06 to FY2009-10	
	FY06 Tax Base Revenues....	\$154,181,403		
County M50 Levy.....	\$193,347,412			
Library-Local Option.....	\$33,608,992			
Total-County Levies.....	\$226,956,404			

Forecast FY2005-06 resources are up net \$829,403 compared to the April forecast done just prior to Council's Approved Budget. Revenues are down net \$1.5 million. This is due to elimination of a transfer of excess reserves from the General Reserve Fund. Budgeted revenues for FY2005-06 are high enough that the \$1.8 million is now needed to keep reserves at the required 10 percent level. This decline is offset by an increased beginning fund balance estimate as shown in the period 10 OUTLOOK. Property taxes and state revenues (cigarette and liquor taxes) are both up marginally in this forecast.

The two biggest changes are in transient lodging taxes and utility license and franchise fee revenues. Transient lodging taxes are down on weaker fourth quarter current year revenues. This revenue forecast is still about \$1 million above the pre-911 peak of just under \$11.1 million.

Utility license fees are up on the strength of higher fourth quarter natural gas

related franchise fee revenues. All other utility license, franchise fee revenues are unchanged. Business licenses and fund interest income are unchanged from the previous forecast. Overall General Fund resources are up about 0.27 percent in this forecast.

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of \$169.82 million. This is unchanged from December. The forecast calls for 2.85% assessed value growth on existing taxable assessed values with 0.25% added to the tax rolls as a result of new construction. The lingering effects of recession continue to negatively impact non-residential assessed values. In FY2004-05, corporate personal property, centrally assessed industrial and utility values, taken together grew by only 1.2%. While this was better than FY2003-04's across-the-board negative growth, taxable assessed value growth remains meager in these key property classes.

The FPD&R levy is expected to total \$86.5 million, up only marginally over the current fiscal year. This, levy estimate is based on FPD&R's Adopted Budget. A

new five-year FPD&R forecast has also been fed into this forecast. The forecast also assumes property tax revenues continue to be generated under DOR's new Shilo-Inn tax rules.

THE BOTTOM LINE: The forecast shows that General Fund resources are improved over last December but out-year health benefits costs increases, a higher PERS employer contribution rate and an expected PFFA contract above CPI-W increase costs well above the December forecast. The result is no significant change in the General Fund's financial outlook which still requires close to \$16 million in cumulative on-going reductions over three years to balance.

Revenue Forecast RECAP-First Year Budget, FY2005-06			
General Fund Revenue Category	Council Approved	June-Council Adopted	Difference
Property Taxes.....	\$158,644,543	\$158,678,968	\$34,425
Transient Lodgings.....	\$12,218,827	\$12,092,518	(\$126,309)
Business Licenses.....	\$44,418,253	\$44,418,253	\$0
Utility License/Franchise....	\$57,272,430	\$57,612,598	\$340,168
State Revenues.....	\$10,050,061	\$10,075,895	\$25,834
Interest Income.....	\$1,545,510	\$1,545,510	\$0
Transfers IN.....	\$2,615,203	\$820,303	(\$1,794,900)
Miscellaneous.....	\$4,686,249	\$4,686,249	\$0
Revenue Forecast.....	\$291,451,075	\$289,930,293	(\$1,520,782)
Beginning FUND Balance....	\$18,655,059	\$21,005,245	\$2,350,185
Forecast Resources.....	\$310,106,135	\$310,935,538	\$829,403
% Change In Revenues.....		-0.52%	
% Change In Resources.....		0.27%	

Revenue Forecast ASSUMPTIONS	
Revenue Category	FY2005-06
CITY Property Tax Levies.....	
Measure 50 Taxbase Levy.....	\$169,820,589
Local Option & UR Collections	\$99,070,722
Measure 50 F&PD&R Levy.....	\$86,597,962
FPD&R, General Fund Total.	\$355,489,273
MULTNOMAH County Levies	
Measure 50 Levy Authority.....	\$193,347,412
Local Option Levy (Library).....	\$33,608,992
Mult. County Levy Total.....	\$226,956,404
M50 Assessed Value Growth....	3.10%
Percent of FY2004-05 Levies	
Not Received First Year.....	-5.60%
Measure 50 Compression.....	-3.85%
Est. Portland Population.....	555,861
GDP Growth (Economy.Com)....	0.9%
Revenue Sharing (State).....	\$10,075,895

**Current Mayor's Proposed 5-Year REVENUE Forecast
General Fund Financial Model**

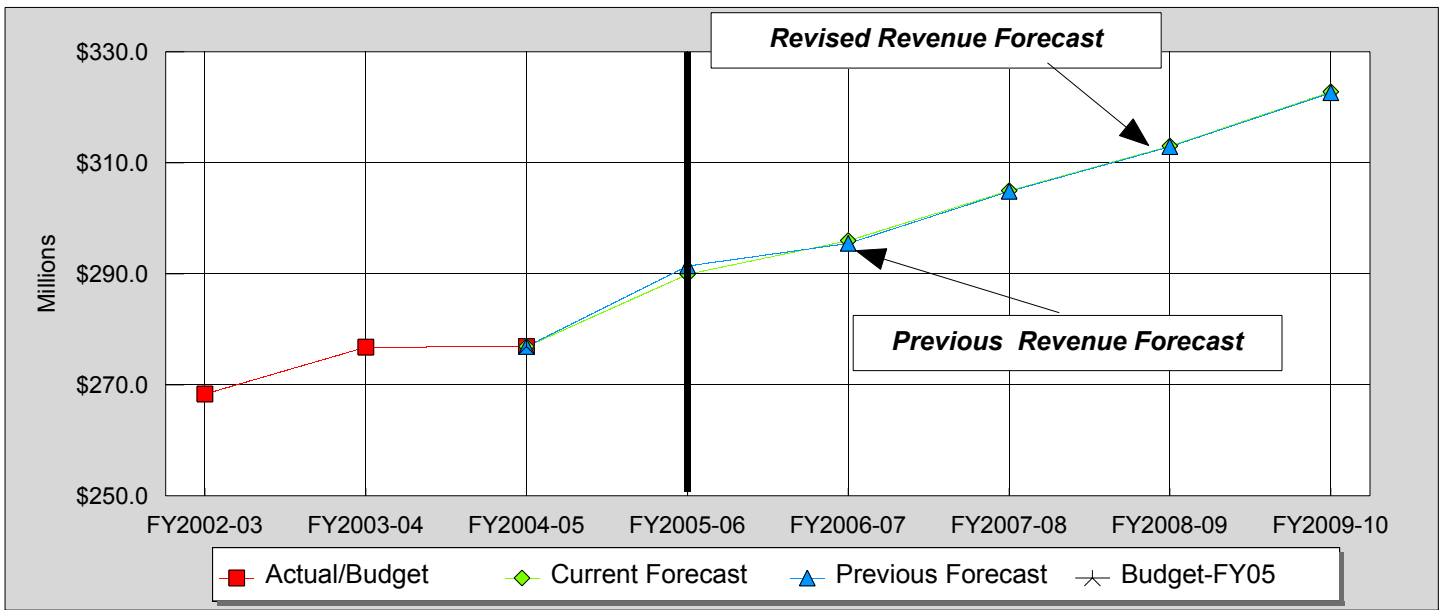


Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is a national economy that continues to recover from recession, as well as a recovering local economy. The Pacific Northwest economy continues to lag in recovery from recession. Metro-area and Oregon unemployment rates have only recently retreated from among the highest nationally.

Figure 1 summarizes the 5 year revenue forecast off of the FY2004-05 base. Revenue growth remains critically dependent on assessed value growth. Revenue growth is forecast to average 3.1 percent over the next five years. Revenues were higher in the previous forecasts in FY2009-10 because they contemplated using excess reserves in that year. The previous forecast as well as this forecast does not use this strategy because of the size of the General Fund shortfall.

Adopted Budget FY2005-06 General Fund current allocation level (CAL) costs are \$255.045 million, versus the initial forecast's \$262.476 million. Bureau CAL targets are down net by about \$7.4 million compared to last December's forecast. Council's Adopted Budget takes the initial step of reducing CAL requirements in order to begin the process of bringing ongoing expenditures in line with expected resources available in the five-year forecast.

Estimated Current Allocation Level Forecast Assumptions		FY2005-06
FY2005-06 CAL Targets		
December CAL Forecast.....		\$262,476,026
Adopted Budget CAL.....		\$255,049,670
Difference In CAL Estimates.....		(\$7,426,356)
General Inflation Rates.....		
GDP Price Deflator.....		2.4%
CPI-W% (Dec.'03-Dec.'04).....		2.7%
Benefits CAP Escalation.(*).....		4.3%
Producer Price Index.....		0.6%
CPI-Energy.....		1.8%
External M&S.....		
General-Overall.....		2.3%
Energy-Electricity.....		3.5%
Energy-Gas.....		20.0%
Sewer.....		8.9%
Water.....		4.0%
Utilities-Overall.....		8.1%
Internal M&S.....		
General-Overall.....		2.3%
Risk/Workers' Comp.....		5.8%
Wage & Salary % Increase.....		
Public Safety.....		3.7%
All Other.....		2.7%

(*) Not applicable to sworn Police personnel.

This financial forecast and the previous forecast do not benefit from slower CAL growth due to continued lower inflation in the Portland area as measured by Portland-Salem CPI-W price index growth. Labor contracts are tied to the actual December 2003 to December 2004 CPI-W increase which as published by the Bureau of Labor Statistics came in at 2.7%. This number is well above recent annual increases.

COUNCIL set-asides, FY2005-06, as found in the Council's Adopted Budget are shown in the table at the right:

- The compensation set-aside is unchanged at \$6.7 million but \$1.7 million lower than the original December estimate.

- The General Fund's cash position continues to be stable and the forecast continues to assume the fund will not have to issue tax anticipation notes (TANS).

- The capital set-aside (net of related debt service requirements) remains at \$1.8 million net of \$1 million included in Fire's target. Capital related "Other Debt Service" totals about \$1.96 million for FY2005-06 and now includes \$757,000 of new debt service on new affordable housing projects.

- Approved set-asides include a \$1.9 million place holder for Fire labor contract costs in excess of CPI-W. In addition, another \$1.2 million has been included to meet higher PERS costs next year.

Forecast Council Set-Asides		
Set-Aside Item	Forecast FY2005-06	
	Approved	ADOPTED
Compensation Set-Aside.....	\$6,670,526	\$6,670,526
ESA(*) Set-Aside/Planning.....	\$359,349	\$359,349
Street Light O&M.....	\$4,664,552	\$4,664,552
General Fund Contingency.....	\$6,613,204	\$3,759,326
Unforeseen & Inventory.....	\$2,000,000	\$2,000,000
Subtotal-Contingency	\$8,613,204	\$5,759,326
Capital Set-Aside.....	\$1,789,327	\$1,789,327
PFFA Contract Offer.....	\$1,868,636	\$1,868,636
ESA Set-Aside/BES.....	\$362,056	\$352,056
Transfer, 1900 Bldg. Offset.....	\$0	\$475,000
City Hall Debt Service.....	\$1,624,240	\$1,624,240
POBS Debt Service.....	\$6,033,880	\$6,033,880
Other Debt Service.....	\$1,955,493	\$1,962,949
Healthcare Fund Option #2.....	\$0	\$0
City Hall Maintenance Reserve.....	\$294,310	\$294,310
Housing Trust Fund.....	\$482,123	\$2,482,123
Park-CAL/On-Going Maint.....	\$0	\$436,484
Rainy Day Reserve.....	\$7,000,000	\$5,568,149
Voter Elections.....	\$0	\$447,526
PERS Increase (Discretionary).....	\$1,159,580	\$1,159,580
Parks Maint. Transfer.....	\$0	\$1,478,743
Miscellaneous Transfers.....	\$431,957	\$534,457
Total Budgeted/Council		
Estimated Council Set-Asides	\$43,309,232	\$43,961,213
Difference versus Previous Forecast.....		\$651,981

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

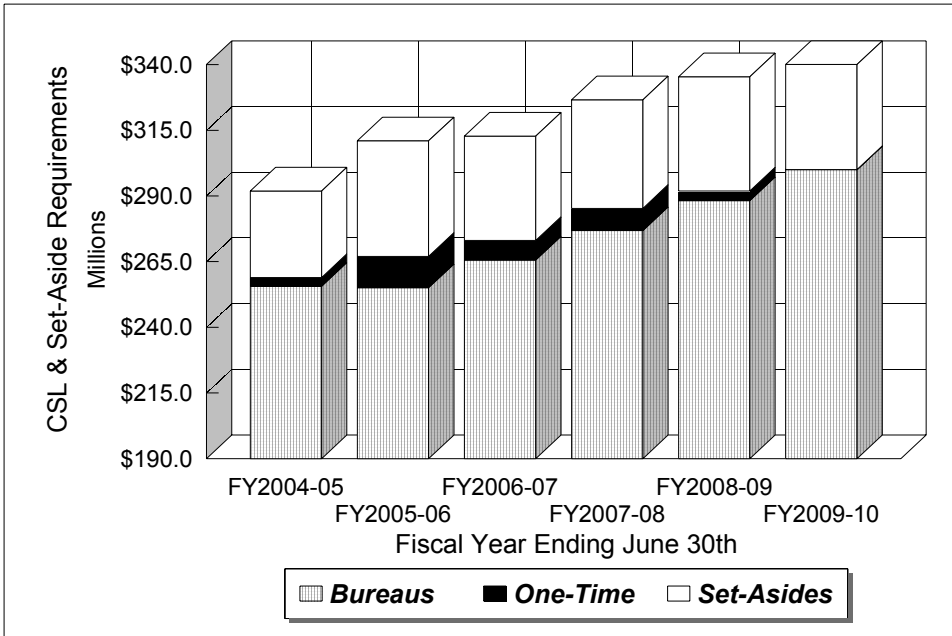


Figure 2-Current Service Level (CAL) Requirements

Other set-asides in Council's current financial plan are Pension Obligation Bond debt service costs of about \$6.033 million as revised by Debt Management.

Council's Adopted Budget includes a \$5.6 million "rainy day" cash transfer to the reserve fund as a hedge against forecast uncertainties. Contingency is \$3.8 million and includes \$1.8 million potentially earmarked for the Police Bureau.

Set-asides are up net by about \$651,981 compared to the Approved Budget. Reductions in contingency and the rainy day transfer were more than offset by housing and other miscellaneous transfer increases.

The table at the right combines the FY2005-06 resource forecast with proposed CAL estimates for FY2005-06. Resources total an estimated \$310.9 million. Deducting set-asides of \$44.0 million leaves an Adopted Budget bureau CAL level of \$267.0 million inclusive of one-time budgets of \$11.9 million. Balancing the General Fund over the life of the five-year forecast currently indicates that \$4.9 million of further CAL reductions will be required in both FY2006-07 and FY2007-08. The General Fund is balanced for FY2005-06 with further planned out-year reductions expected to close the identified gap between resources and requirements.

Sources & Uses of Funds: Financial Forecast FY2005-06		
Item	<i>Budget</i>	FY2005-06
	FY2004-05	ADOPTED
Forecast FUND Revenues.....	\$276,909,409	\$289,930,293
Beginning FUND Balance.....	\$14,965,294	\$21,005,245
Total FUND RESOURCES	\$291,874,703	\$310,935,538
Less: Council Set-Asides.....	(\$31,172,489)	(\$42,171,886)
Less: Capital Set-Aside.....	(\$1,813,044)	(\$1,789,327)
EQUALS: AVAILABLE TO BUREAUS-PROGRAMS.....	\$258,889,170	\$266,974,324
Bureaus CAL Requirement.....	\$258,889,170	\$266,974,324
EST. GAP, DIFFERENCE.....	(\$0)	(\$0)
AVAILABLE ON-GOING FY2005-06.....		\$0
New One-Time...FY2005-06.....		(\$3)

The out-years of the financial forecast continue to indicate that a large deficit remains in the this forecast's out-years as increased healthcare costs start to show-up in the financial forecast beginning FY2006-07. In short it is 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 is only \$1.2 million but this number is expected to rise to about a \$5.9 million revenue loss in the last year of this forecast.
- Expenditure estimates are \$3.3 million higher in recent forecast's as a result of a higher PERS employer contribution rates, a healthcare funding requirements increase (\$3.2 million in FY2006-07 rising to an estimated \$6 million in FY2009-10), and a set-aside of \$1.9 million for Fire contract costs above CPI-W.

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

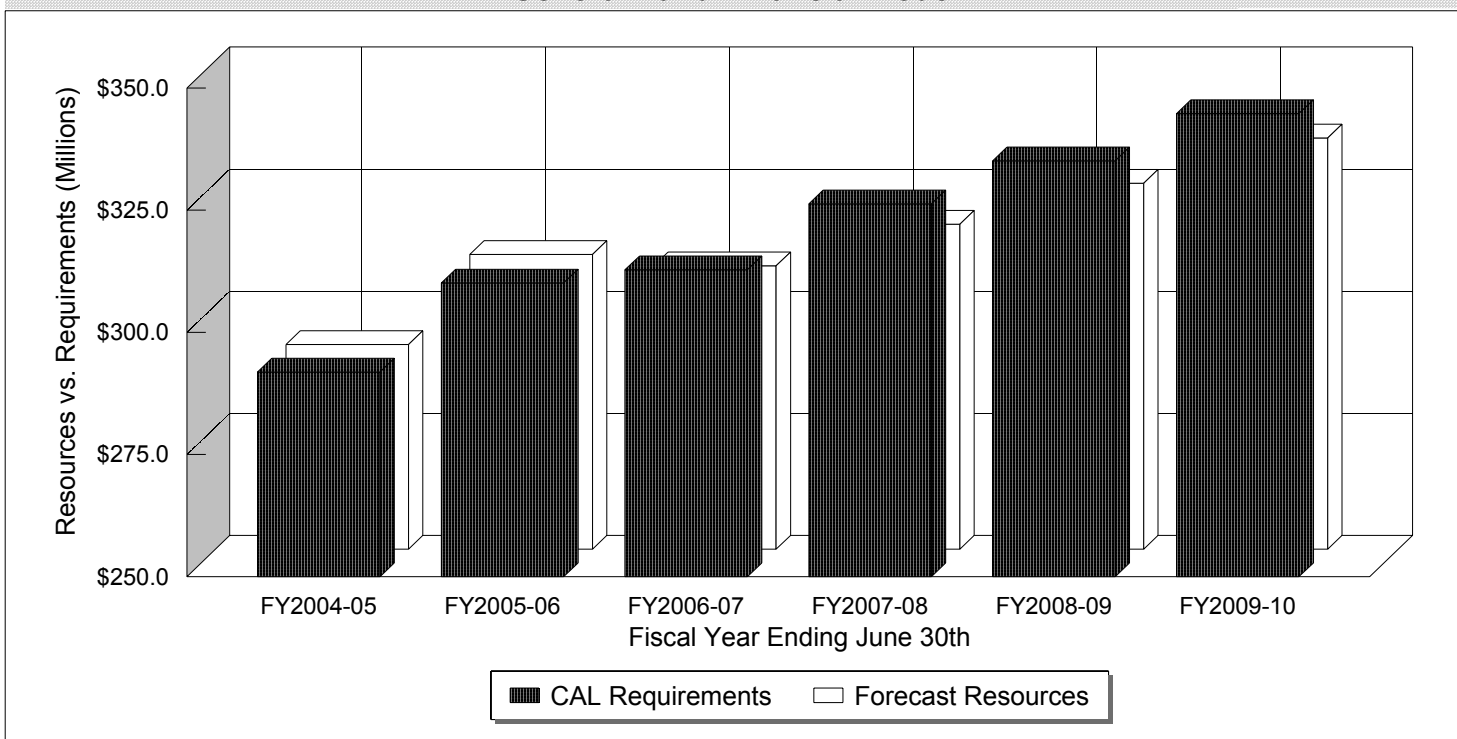


Figure 3-Financial Forecast Resources Compared To Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total \$618.728 million for two years ending FY2006-07.
- Estimated requirements total \$611.308 million over two years, with \$7.4 million available one-time FY2006-07.
- The General Fund is balanced in the out-years of the forecast with on-going CAL cuts of \$4.9 million in each of the next two years.

		<i>Resources & Requirements Summary Next Two Years</i>			
		Budget	Current 2 Year Forecast		
		FY2004-05	FY2005-06	FY2006-07	Total
Item-Category ▼	Resources ►	\$291,874,703	\$310,935,538	\$307,792,530	\$618,728,068
Less: Assumed Set-Asides					
TANS Interest Expense.....		\$0	\$0	\$0	\$0
Compensation Set-Aside.....		\$9,313,203	\$6,670,526	\$6,621,348	\$13,291,874
Other Set-Asides					
Contingency.....		\$1,521,668	\$3,759,326	\$3,200,000	\$6,959,326
Unforeseen Reimbursable.....		\$2,000,000	\$2,000,000	\$2,000,000	\$4,000,000
Subtotal-Contingency.....		\$3,521,668	\$5,759,326	\$5,200,000	\$10,959,326
Capital Set-Aside.....		\$1,813,044	\$1,789,327	\$1,915,000	\$3,704,327
PERS Debt Service.....		\$4,177,232	\$6,033,880	\$7,707,143	\$13,741,023
Other General Fund Debt Service.....		\$2,140,873	\$1,962,949	\$1,665,000	\$3,627,949
City Hall/Precincts-Debt Service.....		\$1,612,673	\$1,624,240	\$2,420,700	\$4,044,940
Street Light O&M Transfer.....		\$4,991,039	\$4,664,552	\$4,835,676	\$9,500,228
Transfer To General Reserve.....		\$1,887,907	\$5,568,149	\$0	\$5,568,149
ESA Set-Aside BES.....		\$362,056	\$352,056	\$361,913	\$713,969
1900 Building Offset.....		\$609,000	\$475,000	\$0	\$475,000
Transfer Public Safety Fund/911 Flag		\$0	\$17,500	\$0	\$17,500
City Hall Maintenance Reserve.....		\$294,310	\$294,310	\$294,310	\$588,620
ESA Set-Aside Planning).....		\$348,882	\$359,349	\$369,411	\$728,759
Eco.Dev. ('05)/Voter Elections('06)....		\$990,930	\$447,526	\$447,526	\$895,052
City PFFA Contract Set-Aside		\$0	\$1,868,636	\$1,920,999	\$3,789,635
Healthcare Funding Option#2.....		\$0	\$0	\$3,277,957	\$3,277,957
Housing Trust Fund.....		\$492,716	\$2,482,123	\$495,622	\$2,977,745
Parks On-Going Maintenance.....		\$0	\$436,484	\$448,706	\$885,190
Parks One-Time Maintenance, Other.		\$0	\$1,478,743	\$0	\$1,478,743
PERS rate to 14.09%.....		\$0	\$1,159,580	\$1,159,580	\$2,319,161
BIT & Miscellaneous Transfers.....		\$430,000	\$516,953	\$521,135	\$1,038,092
Subtotal, Assumed Set-Asides.....		\$32,985,533	\$43,961,209	\$39,662,026	\$83,623,239
Bureau Requirements & One-Time.....		\$258,889,170	\$266,974,333	\$260,710,955	\$527,685,288
Total Requirements.....		\$291,874,703	\$310,935,538	\$300,372,980	\$611,308,527
Resources less Requirements					
Equals Excess(+)/CAL Gap(-).....		\$0	(\$0)	\$7,419,550	
On-Going Program Reductions.....		\$0	\$0	(\$4,928,200)	(\$4,928,200)
Available One-Time.....		\$0	(\$0)	\$7,419,550	\$7,419,550

FY2005-06 Through FY2009-10 Financial Forecast Summary

The five-year financial forecast, now being run off of Council's Adopted Budget, shows that the General Fund is balanced for FY2005-06 and the following year. The last three years of the financial forecast show successively larger deficits that now estimated estimated at \$10.3 million in the last year of the forecast. Council's Adopted Budget has reduced the size the FY2009-10 deficit by an estimated \$8 million when compared to earlier forecasts. Thus, Council's Adopted Budget takes a significant step in closing the gap identified in the original December financial forecast. Additional revenue growth in subsequent forecasts may help to further reduce the gap. A higher requirements forecast increases the gap

Item	ADOPTED	Financial Forecast Out-Years			
	2006	2007	2008	2009	2010
Resources.....	\$310,935,538	\$308,732,478	\$317,089,943	\$325,870,697	\$334,729,963
Requirements.....					
Bureau Requirements.....	\$255,045,977	\$265,639,155	\$276,815,752	\$288,223,658	\$300,027,775
One-Time Budgets.....	\$11,924,654	\$3,431,298	\$0	\$0	\$0
Council Set-Asides.....	\$43,964,906	\$39,662,026	\$41,312,702	\$43,548,295	\$45,029,218
GAP-Surplus(Deficit)...	\$0	\$0	(\$1,038,511)	(\$5,901,257)	(\$10,327,030)

Out-Year Detail Of Proposed 5-Year Financial Plan

The financial forecast shows that the General Fund can be balanced over the next two-year budget cycle with additional reductions of \$4.9 million in FY2006-07 and FY2007-08. This is the current estimate, given Council's Adopted Budget. 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 \$4.9 million per year are indicated over the next two years.

Item	ADOPTED	Financial Forecast Out-Years			
	2006	2007	2008	2009	2010
Total Resources.....	\$310,935,538	\$307,792,530	\$316,507,853	\$324,909,031	\$333,029,006
Transfer In From General Reserve.....	\$0	\$0	\$0	\$0	\$1,120,425
Bureaus & Programs.....	\$255,049,673	\$265,639,155	\$276,815,752	\$288,223,658	\$300,027,775
Capital Set-Aside.....	\$1,789,327	\$1,915,000	\$1,915,000	\$2,225,000	\$1,961,082
Est. CAL Reduction.....	\$0	(\$4,928,200)	(\$10,063,751)	(\$10,478,490)	(\$10,907,634)
Planned One-Time.....	\$11,924,654	\$0	\$0	\$0	\$0
New One-Time.....	\$0	\$7,419,550	\$8,443,150	\$3,615,567	\$71
Pension Bonds P&I.....	\$6,033,880	\$7,707,143	\$8,951,105	\$9,303,170	\$9,669,762
Council Set-Asides.....	\$36,138,006	\$30,039,883	\$30,446,597	\$32,020,125	\$33,398,375
Total Requirements	\$310,935,541	\$307,994,410	\$316,515,423	\$324,909,315	\$334,149,440
Difference	(\$3)	(\$0)	\$0	(\$0)	\$0
Reserve Fund As A Percent Net Revenues	11.3%	12.3%	12.4%	12.6%	12.5%

Risks To The Financial Forecast

This forecast continued national economic expansion as well 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.
- The Oregon Supreme Court must still rule on the PERS related "Lipscomb Case."
- \$60 a barrel oil may pitch the national economy back into recession if 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.
- The City's Police contract comes up for renegotiation next year. Fire's remains unresolved.

Two-Year Forecast Resources-By Budget Category Detail			
<i>Category</i>	<i>FY2004-05</i>	<i>FY2005-06</i>	<i>FY2006-07</i>
RESOURCES	Budget	Adopted	Next Year
Property Taxes			
Current Year Taxes	\$148,587,819	\$154,181,404	\$158,553,625
Prior Year Taxes	\$3,780,042	\$3,769,106	\$3,687,404
Payment in Lieu of Taxes	\$805,221	\$728,458	\$777,007
Total Property Taxes	\$153,173,082	\$158,678,968	\$163,018,036
Other Taxes			
Lodging Tax	\$10,811,022	\$12,092,518	\$12,511,334
Licenses & Permits			
Business Licenses	\$39,274,397	\$44,418,253	\$44,934,998
Utility License-External State Sources(*)	\$40,828,684	\$40,619,124	\$41,211,583
State Shared Revenue	\$9,702,997	\$10,075,895	\$10,080,151
Local Government			
Local Shared Revenue	\$2,446,069	\$2,606,249	\$2,740,841
Miscellaneous Revenues			
Refunds	\$30,000	\$30,000	\$30,000
Interest on Investments	\$755,533	\$1,545,510	\$1,676,772
Other Misc. Revenues			
Other Misc. Revenues	\$20,000	\$50,000	\$20,000
Unforeseen Reimbursable Transfers, Other Funds	\$2,000,000	\$2,000,000	\$2,000,000
Utility License-Internal			
Water Operating	\$4,184,153	\$4,184,153	\$4,184,153
Sewer Operating	\$12,809,321	\$12,809,321	\$12,809,321
Miscellaneous			
Parking Facility-Tax Offset	\$214,316	\$220,745	\$227,367
Hyro-Fund Transfer	\$300,000	\$200,000	\$200,000
Fleet Transfer	\$50,000	\$68,000	\$0
Refuse Disposal	\$55,000	\$85,000	\$85,000
HCD-Indirect	\$243,835	\$235,081	\$243,835
Federal Grants-Indirect	\$0	\$0	\$0
Transfer-General Reserve	\$0	\$0	\$0
Other Transfers.....	\$11,000	\$11,477	\$0
Subtotal-Transfers, Misc.	\$874,151	\$820,303	\$756,202
Beginning Fund Balance Unencumbered	\$14,965,294	\$21,005,245	\$11,819,139
TOTAL DISCRETIONARY	\$291,874,703	\$310,935,538	\$307,792,530
Checksum Total-Page 2	\$291,874,703	\$310,935,538	\$307,792,530
Checksum Difference	\$0	\$0	\$0

(*) Cigarette & liquor tax distributions to General Fund from State of Oregon

This table shows the resource forecast by budget categories as they appear in City's budget document. The italicized categories are identical to line items on the summary on page 2. Local Shared Revenues and Miscellaneous Revenues are collapsed into one simplified category on page 2 (Misc.& Local Shared) but are shown here in budget detail.

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

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

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

FUND	Bureau PERS Liability	Percentage Allocation	Annual POB Debt Service	
			FY2005-06 \$15,329,841	FY2006-07 \$19,416,162
General Fund Bureaus..	\$118,414,971	39.36035%	\$6,033,880	\$7,642,270
Unused Line	\$0	0.00000%	\$0	\$0
Unused Line	\$0	0.00000%	\$0	\$0
Unused Line	\$0	0.00000%	\$0	\$0
Unused Line	\$0	0.00000%	\$0	\$0
Subtotal.....	\$118,414,971	39.36035%	\$6,033,880	\$7,642,270
PDOT (net).....	\$55,353,650	18.39919%	\$2,820,566	\$3,572,416
BOEC (net).....	\$2,863,692	0.95187%	\$145,921	\$184,817
Buildings (OPDR)	\$14,372,047	4.77717%	\$732,333	\$927,544
BES	\$39,339,045	13.07604%	\$2,004,536	\$2,538,865
Hydroelectric	\$301,519	0.10022%	\$15,364	\$19,459
WATER	\$35,663,422	11.85429%	\$1,817,243	\$2,301,647
Golf Operating	\$2,463,623	0.81889%	\$125,535	\$158,997
PIR	\$474,262	0.15764%	\$24,166	\$30,608
Refuse Disposal	\$765,029	0.25429%	\$38,982	\$49,373
Environ. Remediation	\$17,662	0.00587%	\$900	\$1,140
Parks Bond Const.	\$1,364,843	0.45366%	\$69,546	\$88,084
Parks Construction	\$22,806	0.00758%	\$1,162	\$1,472
Facilities Services	\$2,448,975	0.81402%	\$124,788	\$158,052
Fleet Operating	\$5,754,908	1.91289%	\$293,244	\$371,410
Print & Distribution	\$1,950,219	0.64824%	\$99,374	\$125,863
BIT	\$4,415,663	1.46774%	\$225,002	\$284,978
Insurance & Claims	\$1,074,630	0.35720%	\$54,758	\$69,355
Health Insurance	\$454,732	0.15115%	\$23,171	\$29,348
LID	\$1,025,120	0.34074%	\$52,235	\$66,159
FPD&R	\$613,557	0.20394%	\$31,264	\$39,598
Unused Line	\$0	0.00000%	\$0	\$0
Comm. Services	\$2,424,160	0.80577%	\$123,524	\$156,451
Arena/Facilities	\$0	0.00000%	\$0	\$0
Worker Comp. Oper.	\$1,005,184	0.33412%	\$51,220	\$64,873
PDC	\$8,264,628	2.74711%	\$421,127	\$533,383
TOTAL All Funds.....	\$300,848,346	100.00000%	\$15,329,841	\$19,765,938

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

	2008	2009	2010
Out-Year Debt Service.....	\$22,550,002	\$23,436,939	\$24,360,474

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.

Bureau CAL Targets -- Adopted Budget vs. Original December CAL Targets Estimates

The table below compares bureau Adopted Budget on-going discretionary budget with original bureau current appropriation level targets as published last December:

- ***On-going discretionary bureau budgets have been reduced by about \$5.19 million or by about 2.0% and net of a \$1.8 million contingency for Police.***
- Bureau one-time budgets total \$11.9 million versus the original December estimate of \$79,500 and previously planned by Council.
- About \$1.4 million of the capital set-aside is allocated to General Fund bureaus with the remaining \$400,000 going to Street Light.

Bureau	Bureau CAL Target			One-Time Budget	From Capital Set-Aside
	December	Adopted	Difference		
POLICE.....	\$121,213,499	\$116,397,371			
Budget In Contingency	\$0	\$1,800,000			
Subtotal-Police.....	\$121,213,499	\$118,197,371	(\$3,016,128)	\$1,120,556	\$80,000
FIRE.....	\$68,350,782	\$66,610,724	(\$1,740,058)	\$1,269,000	\$509,327
PARKS.....	\$30,770,688	\$30,011,060	(\$759,628)	\$823,232	\$363,000
Maint. Trans. Const.....	\$0	\$436,484	\$436,484		
Subtotal-Police.....	\$30,770,688	\$30,447,544	(\$323,144)	\$823,232	\$363,000
Commissioner #2-190...	\$277,214	\$289,244	\$12,030		
Commissioner #4-191...	\$275,252	\$287,212	\$11,960		
Commissioner #3-192...	\$289,116	\$295,304	\$6,188		
Commissioner #1-193....	\$278,077	\$290,406	\$12,328		
Office of the Mayor.....	\$573,502	\$609,242	\$35,740		
Cable Communications.	\$673,278	\$692,061			
PCA Cable Access.....	\$776,065	\$756,355			
Subtotal-Cable.....	\$1,449,343	\$1,448,416	(\$926)		
Office Sus. Dev.....	\$423,577	\$420,542	(\$3,035)		
Governmental Relations	\$313,301	\$304,939	(\$8,361)		
OMF.....	\$3,857,841	\$3,870,532	\$12,691	\$949,065	\$437,000
Office-City Attorney.....	\$1,649,582	\$1,779,280	\$129,698		
Bureau of Licenses.....	\$2,580,076	\$2,391,172	(\$188,904)	\$460,579	
Office-City Auditor.....	\$2,519,559	\$2,948,101	\$428,541	\$48,772	
Office, Neigh.Involve....	\$4,495,439	\$4,540,069	\$44,630	\$80,000	
Office Emer.Manage.....	\$386,351	\$371,888	(\$14,463)		
BOEC Target Transfer..	\$8,599,554	\$8,599,554	(\$0)		
AU381-OMF Citywide....	\$0	\$0	\$0		
AU390-Utility Billing.....	\$0	\$0	\$0	\$500,000	
Bureau of Planning.....	\$5,242,775	\$4,778,853		\$574,650	
ESA-Planning.....	\$359,349	\$359,349		\$0	
Subtotal-Planning.....	\$5,602,124	\$5,138,201	(\$463,923)	\$574,650	
Bureau-Com. Dev.....	\$2,767,350	\$2,656,257	(\$111,093)	\$342,943	
Special Appropriations..	\$2,872,937	\$2,768,381	(\$104,556)	\$5,705,857	
Reg. Arts Com.(RAC)....	\$2,110,617	\$2,066,292	(\$44,325)	\$50,000	
BDS-Neighbor. Quality..	\$1,179,595	\$1,314,837	\$135,242		
BUREAU CAL TARGET	\$262,835,376	\$257,645,508	(\$5,189,868)	\$11,924,654	\$1,389,327
Checksum Total	\$262,835,376	\$257,645,508	(\$5,189,868)	\$11,924,654	\$1,389,327

Council Set-Asides -- Adopted Budget vs. Original December Assumptions

The table below compares bureau Adopted Budget Council set-asides December financial forecast assumed set-aside amounts as published last December:

- Adopted Budget set-asides total \$39.9 million versus the December financial forecast assumption of \$28.8 million.
- Council set-asides are increased \$11.1 million above December with about \$9.6 million of the increase committed to one-time budgets. There appears to be about a \$1.5 million net on-going increase.
- Virtually all of the net on-going increase is due to increases in compensation POBs debt service requirements, and voter owned elections. All other changes are offsetting.

Council Set-Aside	Council Set-Asides FY2005-06			New-Time Budget	On-Going Adjustment
	December	Adopted	Difference		
TANS Interest.....	\$0	\$0	\$0		
ESA Planning (****).....	(See Planning's CAL target on Page 10)				
Comp. Set-Aside.....	\$8,433,091	\$6,670,526	(\$1,762,565)		(\$1,762,565)
PFFA Contract Offer....	\$0	\$1,868,636	\$1,868,636		\$1,868,636
Increased PERS.....	\$0	\$1,159,580	\$1,159,580		\$1,159,580
Subtotal-Compensation	\$8,433,091	\$9,698,742	\$1,265,651		\$1,265,651
PERS POB Debt Svc....	\$5,769,195	\$6,033,880	\$264,685		\$264,685
Contingency(*).....	\$1,400,000	\$1,959,326	\$559,326	\$559,326	
Unforeseen Reimburse	\$2,000,000	\$2,000,000	\$0		
Subtotal-Contingency....	\$3,400,000	\$3,959,326	\$559,326	\$559,326	
Capital Set-Aside(**)	\$400,000	\$400,000	\$0		
Parks O&M (CAL)(***)	(See Parks' CAL target on Page 10)				
Debt Service-Other.....	\$1,955,493	\$1,962,949	\$7,457		\$7,457
Debt Service-City Hall..	\$1,624,240	\$1,624,240	\$0		
Street Lighth O&M	\$5,164,552	\$4,664,552	(\$500,000)		(\$500,000)
Transfer 1900 Bldg.....	\$475,000	\$475,000	\$0		
Transfer To Reserves....	\$0	\$5,568,149	\$5,568,149	\$5,568,149	
PDOT Sustainability.....	\$0	\$85,000	\$85,000		\$85,000
ESA-BES.....	\$372,918	\$352,056	(\$20,862)		(\$20,862)
Public Safety Fund.....	\$0	\$17,500	\$17,500	\$17,500	
Unused Line.....	\$0	\$0	\$0	\$0	
CH Maint. Reserve.....	\$302,055	\$294,310	(\$7,745)		(\$7,745)
Health-Option#2A.....	\$0	\$0	\$0		
Housing Trust Fund.....	\$507,497	\$2,482,123	\$1,974,625	\$1,974,625	
Voter Owned Elections..	\$0	\$447,526	\$447,526		\$447,526
Parks Maint. One-Time	\$0	\$1,478,743	\$1,478,743	\$1,478,743	
GIS,BIT, Misc.Transfers	\$431,957	\$431,957	\$0		
Set-Asides Total	\$28,835,998	\$39,976,053	\$11,140,055	\$9,598,343	\$1,541,712
Checksum Total	\$28,835,998	\$39,976,053	\$11,140,055	(\$0)	\$11,140,055

(*) Net of \$1.8 million for Police shown separately in Police's CAL target on page 10.

(**) Net of General Fund bureau amounts shown separately on page 10.

(***) Included in Parks' CAL target on page 10.

(****) Included in Planning's CAL target on page 10.