

Office of Management & Finance

Current 5-Year Financial Forecast

General Fund-City Of Portland

As Of... **26-Jun-2006** Previous Forecast..... **13-Mar-2006**

Current Outlook

Adopted Budget Forecast Shows Very Small Year 5th GAP -- Adopted Budget Balanced Without Cuts

Regional, State Economies Continue To Expand

Item	March 13th Forecast	Adopted Budget	Difference vs. March 13th
Council Discretionary Available FY2006-07..	\$327,800,992	\$333,900,490	\$6,099,498
Requirements:			
Capital Set-Aside.....	\$1,915,000	\$1,260,000	(\$655,000)
Council Set-Asides.....	\$28,837,308	\$34,830,217	\$5,992,909
One-Time Budgets.....	\$260,639	\$22,384,664	\$22,124,025
Bureaus & Programs...	\$276,364,171	\$275,425,609	(\$938,562)
CAL Requirements....	\$307,377,118	\$333,900,490	\$26,523,373
Resources Less CAL	\$20,423,874	\$0	(\$20,423,874)
Programs FY06-07.....	(\$2,500,000)	\$0	\$2,500,000
Available One-Time...	\$22,923,874	\$0	(\$22,923,874)
Programs FY07-08.....	(\$2,500,000)	\$0	\$2,500,000
Available One-Time...	\$11,192,673	\$8,253,738	(\$2,938,935)

Both the state and region grew briskly throughout calendar 2005 and into the first quarter of calendar 2006. The U.S. economy, although slowed by rising energy prices and two devastating hurricanes, continues on a growth path that creates jobs at a pretty fair clip, lowering unemployment rates. Both Oregon and the regional economy have surpassed the previous cycle's employment peaks and entered an expansion phase. Cyclical revenues will continue to follow suit.

Adopted Budget Balanced On Bureau CAL Requirements

- ◆ Council's Adopted Budget balances the General Fund at bureau current appropriation levels of \$275.4 million. This was made possible by a revised health benefits cost forecast that unexpectedly reduced the the FY2006-07 increase in health benefits costs. Expected out-year health benefits costs increases are also lower. This allows the General Fund to balance on current service levels and ends five consecutive years of budget cutting. Council's Adopted Budget allocates about \$22.2 million of one-time funds with about \$10 million earmarked for Portland's K-12 schools.
- ◆ This forecast now shows that the out-year gaps between resources and requirements have faded away because of better revenue growth due to local area economic expansion and lower health benefits cost increases. There remains a small fifth year gap of about \$2.9 million (0.8% of forecast CAL). Given this small difference, OMF believes that the General Fund is balanced for the life of the five-year forecast.

Health Benefits Costs

This five-year financial forecast is predicated on a revised healthcare cost sharing assumption in which the City's share of healthcare premium's is set at 95% for the life of the forecast. The City's health benefits consultant also revised projected healthcare cost increases downward significantly when compared to previous forecasts. These lower increase estimates helped to significantly improve financial forecast out-year CAL requirements.

Some Key Forecast Assump- tions	M50 Assess. Value \$1000....	\$38,175,070	State Cigarette & Liquor Tax Revenues To City.....	\$10,199,408	
	FY2006-07 M50 Tax Base....	\$174,727,297		CPI-W Increase (2nd Half '04 To 2nd Half '05, for COLAs)....	2.8%
	M50 Compression Loss.....	(\$5,591,274)		Measure 50 FPD&R Levy.....	\$86,550,496
	Est. Tax Base Imposed.....	\$169,136,024		Beginning General Fund FY2006-07 Balance.....	\$19,314,473
	Delinquency/Discount(%)....	-5.5%		Estimated Urban Renewal Di- vide-The-Taxes (11 Districts)..	\$61,863,490
	Delinquency/Discount (\$)....	(\$9,217,913)		Current Forecast: FY2006-07 to FY2010-11	
	FY07 Tax Base Revenues....	\$159,918,111			
	County M50 Levy.....	\$199,662,829			
	Library-Local Option.....	\$34,706,782			
	Total-County Levies.....	\$234,369,611			

Forecast FY2006-07 resources are up net \$9.9 million compared to the March forecast done prior to the Mayor's Proposed Budget. Revenues are up 3.0% (\$9.0 million). This is due in large part to a \$5 million one-time transfer from the LID Fund. In addition, a small \$1,047,000 transfer of General Fund reserves has been budgeted for FY2006-07. Adjustments to the revenue forecast since last March total about \$2.9 million net. Transient lodging tax revenues are now well above their pre-911 or recession peak level of about \$11.1 million and the FY2006-07 revenue estimate is increased \$0.67 million to \$13.5 million. The business

license revenue estimate is up about \$1.7 million. Both of these increases result from a regional economy that continues to expand and has entered the expansion phase of the business cycle.

Interest income estimates continue to benefit from the continuing rise in interest rates engineered by "The Fed."

Revenue Forecast RECAP-First Year Adopted Budget, FY2006-07			
General Fund Revenue Category	March Forecast	Adopted Budget	Difference
Property Taxes.....	\$163,948,095	\$164,437,521	\$489,427
Transient Lodgings.....	\$12,833,539	\$13,502,206	\$668,666
Business Licenses.....	\$51,104,490	\$52,830,754	\$1,726,264
Utility License/Franchise.....	\$59,162,137	\$59,143,137	(\$19,000)
State Revenues.....	\$10,323,038	\$10,199,408	(\$123,630)
Interest Income.....	\$2,598,141	\$2,784,196	\$186,055
Transfers IN.....	\$756,252	\$6,867,960	\$6,111,708
Miscellaneous.....	\$4,820,836	\$4,820,836	\$0
Revenue Forecast.....	\$305,546,528	\$314,586,017	\$9,039,489
Beginning FUND Balance.....	\$18,451,146	\$19,314,473	\$863,326
Forecast Resources.....	\$323,997,674	\$333,900,490	\$9,902,816
% Change In Revenues.....		2.96%	
% Change In Resources.....		3.06%	

Utility license and franchise fees are unchanged in this forecast. The only new data is Pacific's recent filing at the Oregon PUC for a 12% to 13% revenue and rate increase. The outcome of this filing will probably not be known until sometime during FY2006-07.

A key revenue forecast assumption is a "Measure 50" General Fund tax base levy of \$174.7 million. This is not different from December or March. 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.

The FPD&R levy is now set at \$86.6 million. This is down \$2.6 million compared to December and unchanged from FPD&R's FY2005-06 certified levy. The lower compression assumption used in this forecast of 3.2% reflects the expected impact of a "flat" FPD&R levy that is well below historical norms and continued strong real market values growth.

Revenue Forecast ASSUMPTIONS	
Revenue Category	FY2006-07
CITY Property Tax Levies.....	
Measure 50 Taxbase Levy.....	\$174,727,297
Local Option & UR Collections	\$107,106,034
Measure 50 FPD&R Levy.....	\$86,550,496
City Local Government Total....	\$368,383,827
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.....	-3.20%
Est. Portland Population.....	561,307
GDP Growth (Economy.Com)....	0.9%
Revenue Sharing (State).....	\$10,199,408

THE BOTTOM LINE: The forecast shows that General Fund resources are improved over March. Increased resources along with a lower CPI-W/Cola increase that is a full 1 percentage point lower than assumed last December combine to improve the General Fund's financial outlook in this forecast. This forecast shows only a relatively small deficit in the last year of the forecast. OMF believes Council's Adopted Budget balances the General Fund for the life of this forecast.

Adopted Budget Five-Year REVENUE Forecast General Fund Financial Model

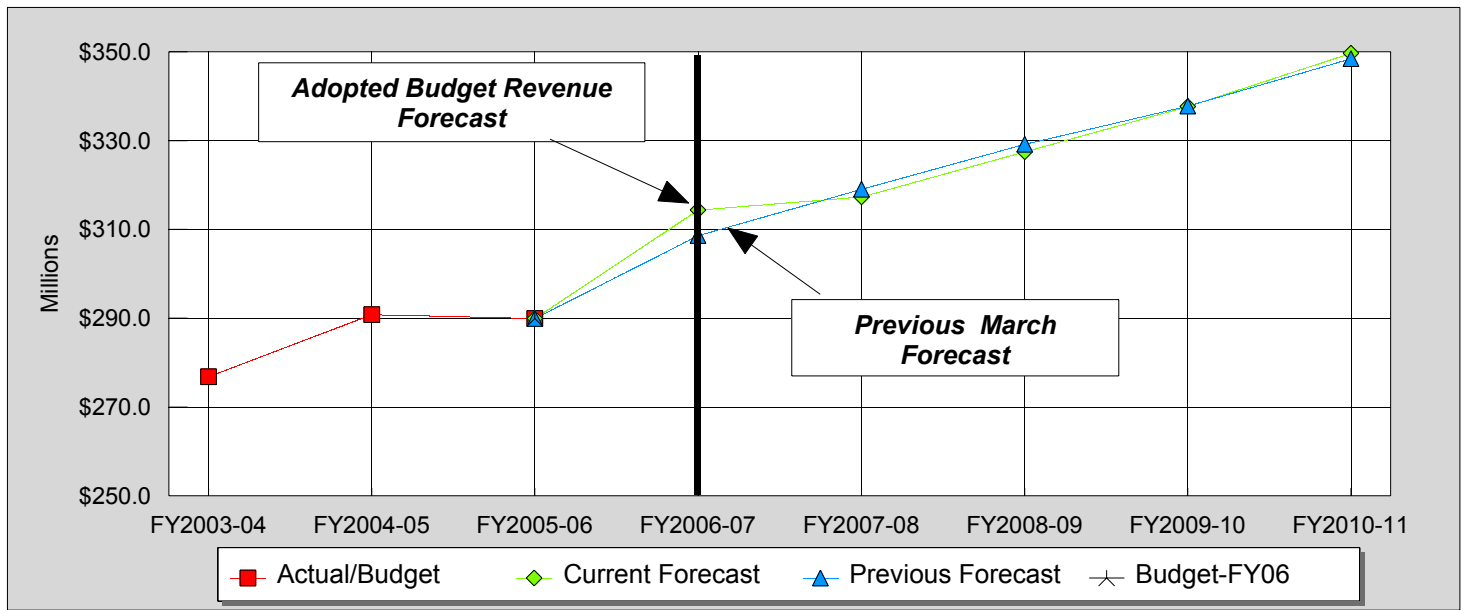


Figure 1-Current General Fund 5-Year Revenue Forecast

A key forecast assumption is a national economy that continues to expand at moderate rates, as well as a growing regional economy. The metro area's economy is finally surpassing previous peak employment levels and appears to have entered the expansion phase of this cycle for 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 3.4 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 \$275.4 million, versus March's \$276.4 million forecast. Budgeted CAL targets are essentially unchanged compared to last March. CAL targets incorporate about \$5.2 million of expected FY2006-07 "95/5" health benefits cost increases directly into bureau CAL targets. Similarly, about \$1.2 million of PERS cost increases are included in bureau targets. Increased labor contract costs for both for Police and Fire added another \$4.5 million

to CAL targets last December with about \$2.2 million of this increase resulting 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 2.8 percent COLA that reflects Bureau of Labor Statistics published Portland CPI-W data.

Estimated Current Allocation Level Forecast	
Assumptions	FY2006-07
FY2006-07 Bureau CAL Targets	
Spring CAL Targets Forecast...	\$276,364,171
Adopted Budget CAL Targets..	\$275,425,609
Difference In CAL Forecasts.....	(\$938,562)
General Inflation Rates.....	
GDP Price Deflator.....	2.8%
CPI-W% (Dec.'04-Dec.'05).....	2.8%
Benefits CAP Escalation.(*).....	5.8%
Producer Price Index.....	2.3%
CPI-Energy.....	2.5%
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.....	2.8%
All Other.....	2.8%

(*) Not applicable to sworn Police personnel.

Forecast Council Set-Asides		
Forecast FY2006-07		
Set-Aside Item	March	Budget
Compensation.....	\$4,559,943	\$4,559,943
ESA Planning(*).....	\$369,342	\$0
Street Light O&M.....	\$4,867,727	\$4,876,282
Gen. Fund Contingency	\$3,200,000	\$4,804,805
Unforeseen & Inventory	\$2,000,000	\$2,000,000
Subtotal-Contingency	\$5,200,000	\$6,804,805
Capital Set-Aside.....	\$1,915,000	\$1,260,000
Transfer To PDOT.....	\$0	\$715,000
ESA Set-Aside/BES.....	\$341,900	\$345,488
Voter Owned Elections.	\$447,526	\$280,368
City Hall Debt Service..	\$2,420,700	\$2,420,700
POBS Debt Service.....	\$7,307,031	\$7,307,031
Other Debt Service.....	\$1,665,000	\$1,665,000
Healthcare to "95/5"(*)..	\$0	\$0
City Hall Maint. Reserve	\$294,310	\$294,310
Housing Trust Fund.....	\$495,622	\$928,122
Park-CAL/Maint.....	\$448,622	\$795,204
Environ. Remediation...	\$0	\$500,000
Trans. General Reserve	\$0	\$0
Unused Line.....	\$0	\$0
Transfer Hous. Invest...	\$0	\$2,400,000
Miscellaneous Transfer	\$419,586	\$937,961
Adopted Budget		
Council Set-Asides.....	\$30,752,308	\$36,090,214
Difference versus Previous Forecast		\$5,337,906

(*) Moved into bureau CAL targets.

COUNCIL set-asides, FY2006-07, as found in Council's Adopted Budget are as summarized in in the table to the right:

- The compensation set-aside remains at \$4.6 million, down \$1.6 million compared with the original December estimate. It includes wage and salary increases. Estimated FY2006-07 healthcare cost increases are included in bureau CAL targets. The "comp" set-aside was estimated using the actual December to December CPI-W (Portland-Salem) 2.8 percent increase.

- The capital set-aside (net of related debt service requirements) is set at \$1.3 million net of \$1 million for equipment included in Fire's CAL 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.

- Council's Adopted Budget includes \$500,000 of "seed money" for environmental remediation efforts.

- The transfer to the Housing Trust Fund is increased from \$495,622 (last March) to an Adopted Budget amount of \$928,122. In addition, Council's Adopted Budget includes a new \$2.4 million one-time housing related set-aside.

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 \$4.8 million. This amount is composed of a general contingency of \$1.4 million with \$1.6 million earmarked for Police. The rest of the contingency is earmarked for various other projects.

Set-asides are up net by about \$5.4 million in this forecast. This results, for the most part, from a \$2.4 million one-time housing related transfer and the \$1.6 million increase in contingency.

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

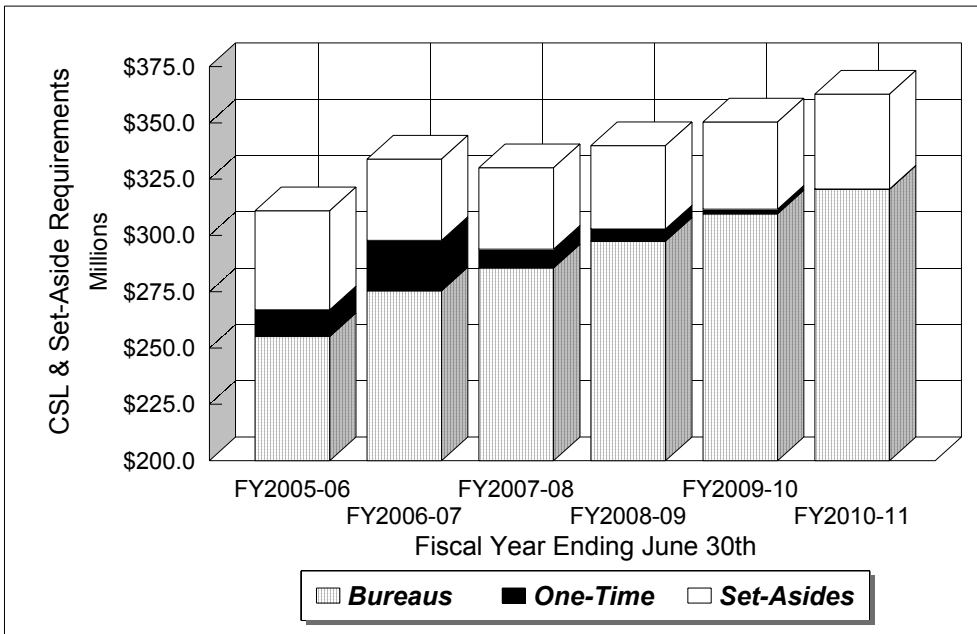


Figure 2-Current Service Level (CAL) Requirements

The table below combines the FY2006-07 resource forecast with Adopted Budget CAL targets

Sources & Uses of Funds: FY2006-07		
Item	Budget	FY2006-07
	FY2005-06	Budget
FUND Revenues.....	\$289,930,293	\$314,586,017
Beginning Balance.....	\$21,005,245	\$19,314,473
FUND RESOURCES	\$310,935,538	\$333,900,490
Less: Council Set-Aside	(\$42,171,887)	(\$34,830,217)
Less: Capital Set-Aside.	(\$1,789,327)	(\$1,260,000)
EQUALS: AVAILABLE TO BUREAUS-PROGRAM	\$266,974,329	\$297,810,273
Reauired Bureaus CAL.	\$266,974,329	\$297,810,273
GAP/DIFFERENCE.....	\$0	\$0
AVAILABLE On-Going FY2006-07.....		\$0
New One-Time...FY2006-07.....		\$0

for FY2006-07. Adopted Budget discretionary resources total \$333.9 million. Deducting set-asides of \$36.1 million leaves \$297.8 million against Adopted Budget bureau CAL targets and one-time budgets of about \$297.8 million. Council's Adopted Budget is balanced without the need for further on-going reductions. In addition, OMF now estimates that the discretionary side of the General Fund is balanced for this five-year financial planning period, given crucial cost escalation assumptions for healthcare costs. The forecast anticipates no CAL reductions will be required for the FY2007-08 budget process and projects about \$8.5 million one-time available, FY2007-08.

The out-years of the financial forecast continue to improve so that large out-year deficits are gone, and replaced with a relatively small (less than 1 percent) deficit forecast for only FY2010-11. Increased resources and lower personal services costs have combined to improve the financial outlook:

- The previous March forecast showed that balancing the General Fund required \$2.5 million in CAL reductions in each of the next two budget cycles. The current forecast shows that out-year gaps are mostly gone, with only an estimated year five gap of \$2.9 million (see page 7).
- OMF believes that Council's Adopted Budget decisions balance the General Fund for the life of this five-year forecast. No CAL reductions are anticipated at this time for the FY2007-08 budget cycle.

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

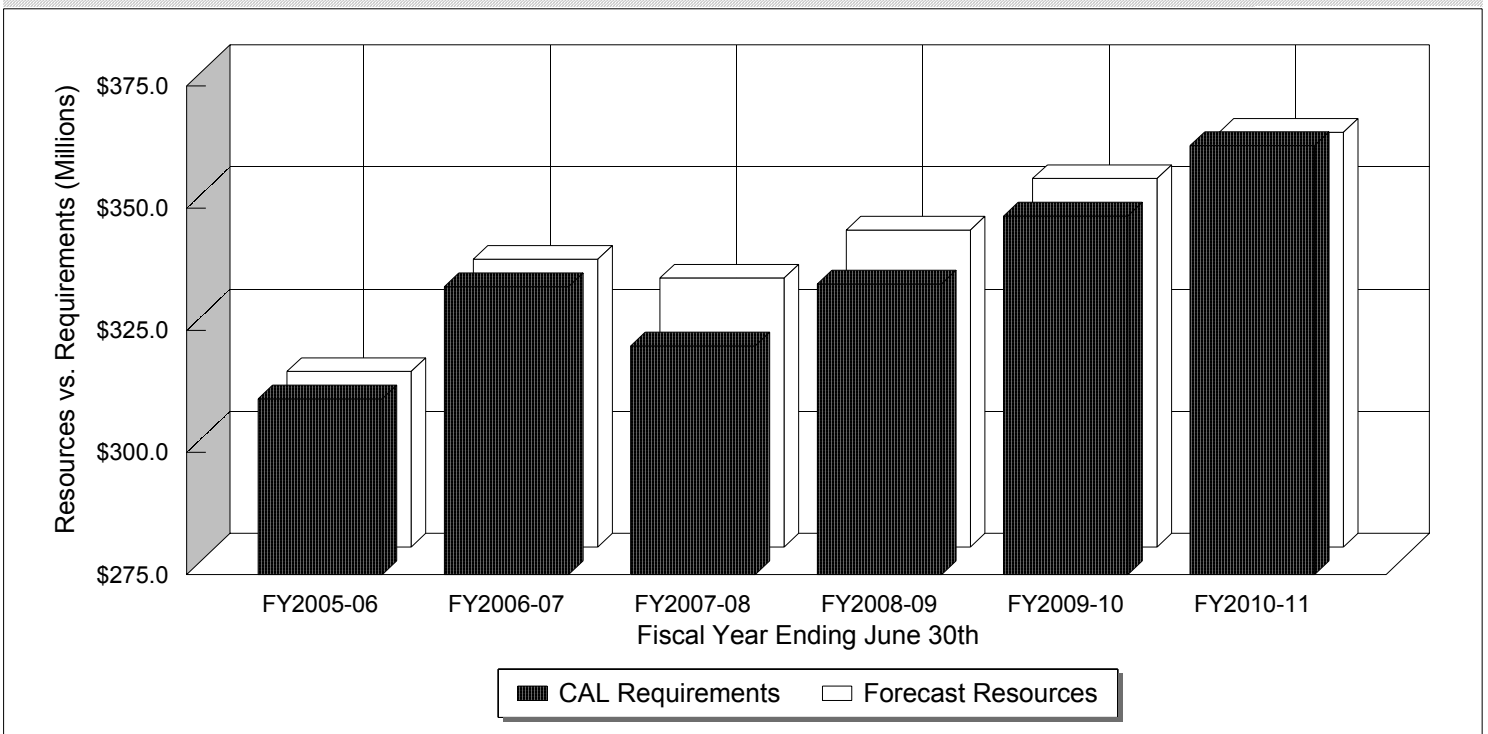


Figure 3-Financial Forecast Resources Compared To Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total \$663.958 million for two-years ending FY2007-08.
- Requirements are currently estimated at \$655.705 million over two-years with one-time available to Council for FY2007-08.
- The General Fund is balanced for the life of the forecast with an estimated \$8.3 million available one-time FY2007-08.

		<i>Resources & Requirements Summary Next Two Years</i>			
		Budget FY2005-06	Budget FY2006-07	Forecast FY2007-08	Two-Year Total Total
Item-Category	Resources	\$310,935,538	\$333,900,490	\$330,058,428	\$663,958,918
Less: Assumed Set-Asides					
TANS Interest Expense.....		\$0	\$0	\$0	\$0
Compensation Set-Aside.....		\$6,670,526	\$4,559,943	\$7,933,628	\$12,493,571
Other Set-Asides					
Contingency.....		\$3,759,326	\$4,804,805	\$3,200,000	\$8,004,805
Unforeseen Reimbursable.....		\$2,000,000	\$2,000,000	\$2,000,000	\$4,000,000
Subtotal-Contingency.....		\$5,759,326	\$6,804,805	\$5,200,000	\$12,004,805
Capital Set-Aside.....		\$1,789,327	\$1,260,000	\$1,915,000	\$3,175,000
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	\$5,103,456	\$9,979,738
Transfer To General Reserve.....		\$5,568,149	\$0	\$589,936	\$589,936
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 ('06)/ PDOT Transfer ('07).....		\$359,349	\$715,000	\$0	\$715,000
Voter Elections.....		\$447,526	\$280,368	\$280,368	\$560,736
City PFFA Contract Set-Aside		\$1,868,638	\$0	\$0	\$0
Housing Transfer.....		\$0	\$2,400,000	\$0	\$2,400,000
Housing Trust Fund.....		\$2,482,122	\$928,122	\$954,226	\$1,882,348
Parks On-Going Maintenance.....		\$436,484	\$795,204	\$461,240	\$1,256,443
Public Safety Fund.....		\$17,500	\$0	\$0	\$0
Parks ('06)/Env. Remediation ('07).....		\$1,478,743	\$500,000	\$0	\$500,000
BIT & Miscellaneous Transfers.....		\$516,957	\$937,961	\$533,569	\$1,471,530
Subtotal, Assumed Set-Asides.....		\$43,961,214	\$36,090,214	\$36,191,224	\$72,281,438
Bureau Requirements & One-Time.....		\$266,974,325	\$297,810,281	\$285,613,467	\$583,423,748
Total Requirements.....		\$310,935,538	\$333,900,490	\$321,804,691	\$655,705,186
Resources less Requirements					
Equals Excess(+)/CAL Gap(-).....		\$0	\$0	\$8,253,737	\$0
on going Program Reductions.....		\$0	\$0	\$0	\$0
Available One-Time.....		\$0	\$0	\$8,253,738	\$8,253,738

FY2006-07 Through FY2010-11 Financial Plan Summary

The five-year financial forecast shows that the General Fund faces a small resources-requirements gap of about \$2.9 million in the last year of the forecast, FY2010-11. Resources are sufficient to fund existing service levels through to FY2009-10. In FY2009-10 a small positive gap exists and is currently estimated at \$2.1 million. This works out to minuscule percentage of FY2009-10 resources and/or bureau requirements. The deficit in the fifth year of this forecast is estimated at only \$2.9 million which is less than 1 percent of FY2010-11 resources and well within the expected accuracy of out-year forecasts. A growing economy and lower than personal services related cost increases have significantly reduced the gap.

Item	Budget	Forecast	Financial Forecast Out-Years		
	2007	2008	2009	2010	2011
Resources.....	\$333,900,490	\$330,058,428	\$339,862,782	\$350,426,786	\$359,868,531
Requirements.....					
Bureau Requirements.....	\$275,425,612	\$285,613,467	\$297,443,692	\$309,638,804	\$320,637,809
One-Time Budgets.....	\$22,384,664	\$0	\$0	\$0	\$0
Council Set-Asides.....	\$36,090,214	\$36,191,224	\$37,002,804	\$38,746,783	\$42,170,891
GAP-Surplus(Deficit)..	\$0	\$8,253,737	\$5,416,286	\$2,041,199	(\$2,940,170)

Out-Year Detail Of Adopted Budget & 5-Year Financial Plan

The financial forecast shows that the General Fund's Adopted Budget is balanced in the current budget cycle without significant CAL reductions for FY2006-07. Council's Adopted Budget and five-year financial plan stabilizes the General Fund at bureau current appropriation levels (CAL) over the life of this five-year forecast horizon: Council's Adopted Budget balances the General Fund for the life of the forecast. Resource estimates, particularly business licenses, will show further improvement next fall. In the next cycle, and next budget process Council will likely have both on-going and one-time money available for allocation in fashioning a budget for FY2007-08 and a financial plan for the five-year period ending FY2011-12.

Item	Budget	Forecast	Financial Plan Out-Years		
	2007	2008	2009	2010	2011
Total Resources.....	\$332,855,923	\$330,058,428	\$339,862,782	\$350,426,786	\$359,868,531
Transfer In From General Reserve.....	\$1,044,567	\$0	\$0	\$0	\$2,940,170
Bureaus & Programs....	\$275,425,612	\$285,613,467	\$297,443,692	\$309,638,804	\$320,637,809
Capital Set-Aside.....	\$1,260,000	\$1,915,000	\$1,915,000	\$1,915,000	\$1,915,000
Est. CAL Reduction....	\$0	\$0	\$0	\$0	\$0
Planned One-Time.....	\$22,384,664	\$0	\$0	\$0	\$0
New One-Time.....	\$0	\$8,253,738	\$5,416,286	\$2,041,199	\$0
Pension Bonds P&I.....	\$7,307,031	\$8,486,412	\$8,820,200	\$9,167,761	\$9,514,697
Council Set-Asides.....	\$27,523,183	\$25,789,812	\$26,267,604	\$27,664,023	\$30,741,194
Total Requirements	\$333,900,490	\$330,058,429	\$339,862,782	\$350,426,786	\$362,808,701
Difference	\$0	(\$1)	\$0	\$0	(\$0)
Reserve Fund As A Percent Net Revenues	10.6%	11.9%	12.1%	12.4%	11.9%

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 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.
- Geopolitical uncertainties and problems could easily start the next recession.

Two-Year Forecast Resources-By Budget Category Detail			
<i>Category</i>	<i>FY2005-06</i>	<i>FY2006-07</i>	<i>FY2007-08</i>
RESOURCES	Budget	Budget	Forecast
Property Taxes			
Current Year Taxes	\$154,181,404	\$159,918,111	\$164,270,539
Prior Year Taxes	\$3,769,106	\$3,737,990	\$3,478,541
Payment in Lieu of Taxes	\$728,458	\$781,420	\$787,455
Total Property Taxes	\$158,678,968	\$164,437,521	\$168,536,535
Other Taxes			
Lodging Tax	\$12,092,518	\$13,502,206	\$13,872,627
Licenses & Permits			
Business Licenses	\$44,418,253	\$52,830,754	\$55,818,050
Utility License-External	\$40,768,247	\$42,149,663	\$43,356,900
State Sources(*)			
State Shared Revenue	\$10,075,895	\$10,199,408	\$10,438,638
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	\$2,784,196	\$2,623,055
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	\$258,589	\$243,835
Federal Grants-Indirect	\$0	\$0	\$0
Transfer-General Reserve	\$0	\$1,044,567	\$0
Other Transfers.....	\$11,477	\$5,052,437	\$0
Subtotal-Transfers, Misc.	\$820,303	\$6,867,960	\$763,023
Beginning Fund Balance (Unencumbered)	\$21,005,245	\$19,314,473	\$12,723,754
TOTAL DISCRETIONARY	\$310,935,538	\$333,900,490	\$330,058,428
Checksum Total-Page 2	\$310,935,538	\$333,900,490	\$330,058,428
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.

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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	
			FY2006-07	FY2007-08
			\$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 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.

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