

Prepared By Bureau of Financial Planning, City of Portland

Office of Finance & Administration

Current 5-Year Financial Forecast

City Of Portland-General Fund

As Of... 23-Nov-98

December Forecast Shows 2nd Year Budget Flexibility

Item	Previous May 20th	Current Forecast	Difference May 20th
Resources Available			
FY1999-00.....	\$260,827,385	\$271,264,547	\$10,437,162
Requirements:			
Capital Set-Aside.....	\$3,000,000	\$4,000,000	\$1,000,000
Council Set-Asides.....	\$32,264,980	\$32,212,118	(\$52,862)
One-Time Bureaus	\$3,181,442	\$2,885,672	(\$295,770)
Bureaus, On Going.....	\$222,380,963	\$220,266,806	(\$2,114,157)
Fund Requirements..	\$260,827,384	\$259,364,595	(\$1,462,789)
Resources Less Re-requirements EQUALS.....	\$0	\$11,899,952	\$11,899,952
Available, Programs.....	\$0	\$2,662,783	\$2,662,783
Available One-Time.....	\$0	\$4,537,169	\$4,537,169
From FY1998-99.....	\$0	\$4,700,000	\$4,700,000

Resource Outlook

New FY1999-00 Resource Forecast Improves

The Fall resource forecast is improved over the previous May forecast revenues are up \$3.3 million (1.3%). Beginning fund balance includes \$4.7 million of unbudgeted FY1998-99 balance that is assumed available in this forecast for the FY1999-00 budget. The total resource increase above the previous forecast is \$10.4 million. This resource increase and lower CSL costs combine to provide Council increased budget flexibility.

New December Forecast Continues To Reflect Measure 50

- ◆ Resources are improved \$10.437 million over the May 20th forecast. Revenues are up marginally with improved property, lodging and business license revenue forecasts. Beginning balance is improved by \$7.2 million with \$4.7 million of this assuming a Council decision to commit \$4.7 million of FY1998-99 beginning balance to the new budget process.
- ◆ Estimated FY1999-00 CSL requirements are reduced, net \$1.46 million compared to the previous forecast. Set-asides are \$1 million higher, net, due to a lower compensation set-aside as offset by a \$1 million increase in the capital set-aside and a \$2.7 million increase in new annual debt service costs associated with the sale of PERS pension obligation bonds.
- ◆ The revised forecast shows \$2.66 million available on-going and \$9.24 million available one-time (\$4.54 + \$4.70 = \$9.24 million).

CSL Estimates Revised To Include Increased PERS Cost

Council's second year financial forecast is revised. Assumed set-asides include \$2.7 million in annual debt service costs for PERS pension obligation bonds (POBS). The bond proceeds fund the City's PERS shortfall. This drops the City's current 9.29% PERS payroll tax rate to 8.56%, producing annual bureau CSL target savings of \$381,000 and city-wide savings of \$1.3 million.

Some Key Forecast Assumptions	M50 Assess. Value \$1000....	\$29,984,706	State Cigarette & Liquor	
	FY1999-00 M50 Tax Base.....	\$137,240,001	Tax Revenues To City.....	\$8,282,263
	M50 Compression Loss.....	(\$2,663,891)	CPI-W Increase (December '97	
	Est. Tax Base Imposed.....	\$134,576,110	To December '98).....	1.8%
	Delinquency/Discount(%)....	-5.0500%	Measure 50 FPD&R Levy.....	\$61,593,295
	Delinquency/Discount (\$)....	(\$6,796,094)	Beginning General Fund	
	New Tax Base Revenues.....	\$127,780,017	FY1997-98 Balance.....	\$17,077,710
County M50 Levy.....	\$158,563,156	Estimated Urban Renewal		
Library-Local Option.....	\$21,710,528	Divide-The-Taxes (7 Districts).	\$25,923,736	
Total-County Levies.....	\$180,273,684	Current Forecast: FY1999-00 to FY2003-04		

Forecast FY1999-00 resources are revised up by \$10.437 million (4.0%) compared to the previous May 20th forecast Property taxes are revised to reflect Council's urban renewal funding decisions including the recent creation of two new districts Property tax revenues are up \$1 39 million over the previous forecast About \$340,000 of this is due to a lower delinquency rate assumption 5 05% this forecast versus 5 30% May 20th Transient lodging taxes continue to grow above trend as fueled by new hotel construction that should add at least 700 rooms over the next 12 to 18 months Business license revenues are up slightly over the

previous forecast, but the loss of headquarters' income is still expected to flatten revenues over the next 24 months

Utility license and franchise fees are down net \$237,000 partially reflecting Council's decision to lower Water and Sewer's license rate from 8% to 7 75%

State revenues are up \$621,000 over the previous forecast on the strength of higher liquor tax sharing Lower interest income and miscellaneous revenues partially offset this increase Transfers are higher the forecast assumes increased use of excess reserve in the FY1999-00 budget

Some key revenue forecast assumptions are an "M50" General Fund tax base levy of \$137 24 million The levy estimate results from application of the fixed permanent \$4 5770 per \$1,000 tax rate to about \$29 9 billion of Measure 50 assessed values This levy is assumed compressed by about 1 94% reflecting actual experience with the new Measure 50 system and increased property-by-property compression The property tax revenue forecast also incorporates Council's creation of two new urban renewal districts This increases frozen base assessed value from about \$1 billion to about \$1 5 billion and reduces General Fund revenue growth All growth off the base generates new urban renewal district revenues The delinquency and discount rate assumption is 5 05%, down about 0 25% from last forecast Lower and slower growing property taxes continue to improve the "revenue yield" of each new year's tax base levy by reducing the delinquency rate

Fall Revenue Forecast RECAP-Second Year Budget			
General Fund Revenue Category	FY1999-00		
	May 20th	Revised	Difference
Property Taxes.....	\$130,618,112	\$132,010,493	\$1,392,381
Transient Lodgings.....	\$10,592,875	\$10,960,669	\$367,794
Business Licenses.....	\$49,991,100	\$50,800,799	\$809,699
Utility License/Franchise.....	\$44,166,725	\$43,929,751	(\$236,975)
State Revenues.....	\$7,661,336	\$8,282,263	\$620,927
Interest Income.....	\$2,205,869	\$2,057,530	(\$148,338)
Transfers (*) IN.....	\$1,775,141	\$2,477,463	\$702,322
Miscellaneous.....	\$3,946,651	\$3,667,869	(\$278,782)
Revenue Forecast.....	\$250,957,809	\$254,186,837	\$3,229,028
Beginning FUND Balance....	\$9,869,576	\$17,077,710	\$7,208,134
Forecast Resources.....	\$260,827,385	\$271,264,547	\$10,437,162
% Change In Revenues.....		1.29%	
% Change In Resources.....		4.00%	

(* Includes \$1 7 million of excess reserves from the General Reserve Fund, FY1999-00

Revenue Forecast ASSUMPTIONS	
Revenue Category	FY1999-00
CITY Property Tax Levies.....	
Measure 50 Taxbase Levy.....	\$137,240,001
Local Option Levy.....	\$0
Measure 50 F&PD&R Levy.....	\$61,593,295
FPD&R, General Fund Total.	\$198,833,297
MULTNOMAH County Levies	
Measure 50 Levy Authority.....	\$158,563,156
Local Option Levy (Library).....	\$21,710,528
Mult. County Levy Total.....	\$180,273,684
M50 Assessed Value Growth.....	4 1%
Percent of FY1999-99 Levies	
Not Received First Year.....	-5 050%
Measure 50 Compression.....	-1.941%
Est. Portland Population.....	515,201
GDP Growth (RFA).....	2.7%
Revenue Sharing (State).....	\$8,282,263

THE BOTTOM LINE:The revised forecast shows a marginal improvement in revenues compared to the previous forecast. Lower inflation improved the financial outlook from the CSL cost side lowering bureau targets and the compensation set-aside. This increases resources available to Council on an on-going basis and provides Council with additional second year budget flexibility. Council, is however also faced with a large on-going PERS cost increases and increased Fire operations costs.

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

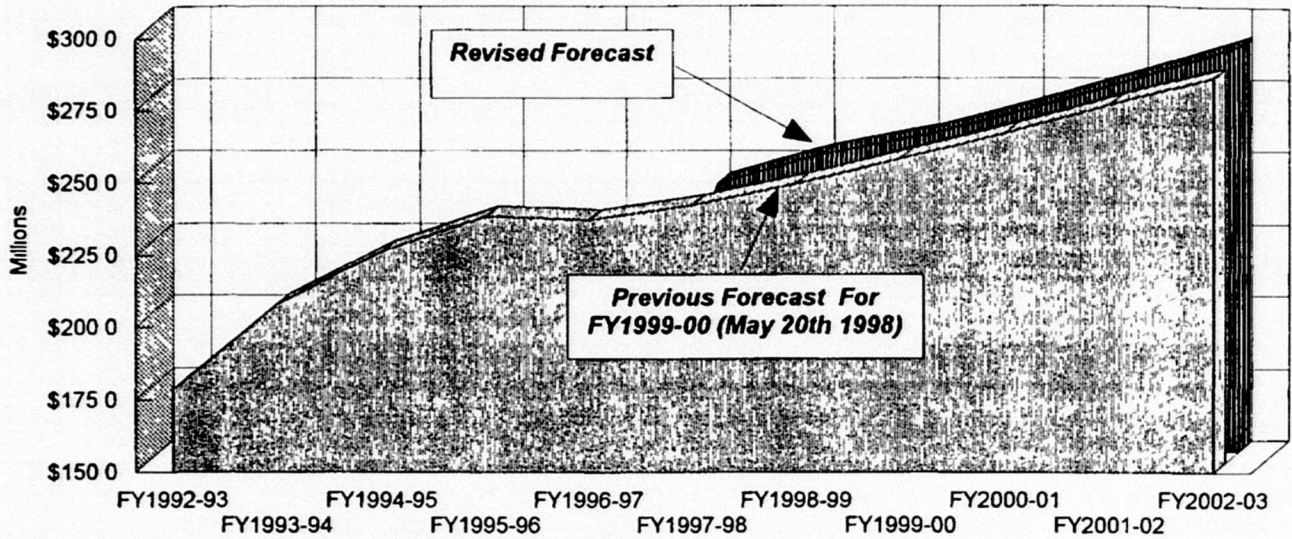


Figure 1-Current General Fund 5-Year Revenue Forecast

The key environmental assumption continues to be national and regional economic growth. National and global economic conditions are more unsettled than at any time in the recent past. The City's national economic advisor, Regional Financial Associates is not currently forecasting a recession, although most forecasters attach much higher probability to a calendar year 1999 recession. Economic conditions will be monitored closely for any signs portending the beginning of a recession.

Figure 1 summarizes 5 years of revenue forecast over the 5-year period off of the FY1998-99 base. The revenue growth rate now depends critically on assessed value growth which is expected to average at least 4.3% over the next five years. Slower regional growth or a recession will quickly translate into slower overall revenue growth because of the increased importance of business license revenues and new sensitivity of property tax revenues to real estate market cycles.

Estimated FY1999-00 General Fund current service level (CSL) costs are \$220.6 million. This is down about \$2.14 million compared to the previous forecast and due to lower inflation and a lower PERS employer contribution rate. The CSL estimate includes \$1.9 million of second year budget program increases. Out-year CSL cost estimates continue to include about \$3.5 million to fund withdrawal of federal grants (Desk Clerks and COPS) that currently support on-going Police programs as well a \$1 million per year increase in Council's capital set-aside.

Estimated Current Service Level Forecast Assumptions		FY1999-00
Previous FY1999-00 CSL		
Estimated, May 20th.....		\$222,380,963
Approved Budget CSL.....		\$220,266,806
Difference in CSL Estimates.....		(\$2,114,157)
General Inflation Rates.....		
GDP Price Deflator....(RFA).....		2.4%
CPI-% (Dec.'97-Dec.'98).....		1.8%
Benefits Inflation.....		1.8%
Producer Price Index.....		2.3%
CPI-Energy.....		2.9%
External M&S.....		
General-Overall.....		2.4%
Energy-Electricity.....		0.0%
Energy-Gas.....		1.7%
Sewer.....		9.5%
Water.....		4.9%
Utilities-Overall.....		4.1%
Internal M&S.....		
General-Overall.....		3.0%
Risk/Workers' Comp.....		0.3%
Wage & Salary % Increase.....		
Public Safety.....		1.8%
All Other.....		1.8%

The CSL estimate includes \$1.9 million of second year budget program increases. Out-year CSL cost estimates continue to include about \$3.5 million to fund withdrawal of federal grants (Desk Clerks and COPS) that currently support on-going Police programs as well a \$1 million per year increase in Council's capital set-aside.

COUNCIL set-asides, FY1999-00, are as included in Council's second year budget with four significant differences

- The compensation set-aside is lower by \$3.5 million due to use of a lower CPI-W estimate

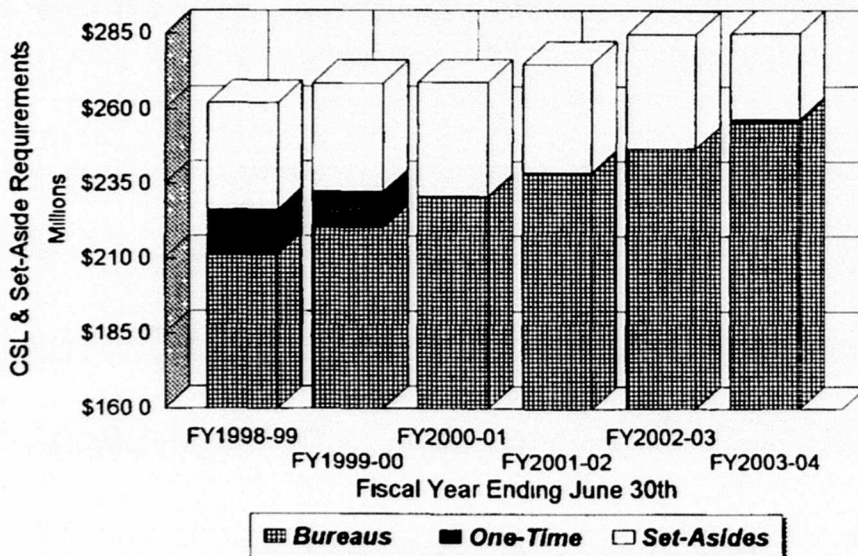
- The 2040 Planning/Town Center set-aside is up \$470,000, one-time, reflecting resources freed up by extension of federal grant support for Police

- Based on Council's November 17th work session and Resolution No 35526, the capital set-aside is increased to \$4 million from \$3 million in Council's previous financial plan. In each of the out-years this set-aside is increased \$1 million, bringing the capital set-aside to \$8 million in the final year of the forecast.

- A PERS "POBS" debt service set-aside is added to Council set-asides at \$2.7 million, FY1999-00, rising to \$5.8 million in FY2003-04. This assumes the issuance of about \$260 million of bonds that will be used to fund the shortfall on the City's PERS account.

Forecast Council Budget Set-Asides		
Set-Aside Item	Forecast FY1999-00	
	On May 20th	Current
LID & Other Debt Service	\$420,000	\$416,082
Compensation Set-Aside	\$7,652,650	\$4,130,948
POBS Debt Service	\$0	\$2,739,283
General Fund Contingency	\$1,400,000	\$1,400,000
Unforeseen & Inventory	\$2,000,000	\$2,000,000
Subtotal-Contingency	\$3,400,000	\$3,400,000
Capital Set-Aside	\$3,000,000	\$4,000,000
Precincts/City Hall Projects	\$2,479,350	\$2,479,350
Existing Master Lease	\$1,448,574	\$1,446,186
Subtotal-Capital Set-Aside	\$6,927,924	\$7,925,536
PDOT-CSL & One-Time	\$1,433,343	\$1,420,861
Street Light O&M Transfer	\$4,632,995	\$4,861,375
2040 Planning/Town Centers	\$51,648	\$521,648
Unemployment Insurance	\$200,000	\$200,000
Business License Refunds	\$3,759,332	\$3,814,815
City Hall Maint Reserve	\$250,000	\$250,000
Y2K (Year 2000) Set-Aside	\$65,000	\$65,000
Transfer To General Reserve	\$0	\$0
Homeless-Debt Service	\$725,000	\$719,483
Housing Investment Fund	\$5,534,262	\$5,534,262
Miscellaneous Transfers	\$12,825	\$12,825
Cultural Tourism (Art Museum)	\$200,000	\$200,000
Total Budgeted/Council		
Adopted Budget Set-Asides	\$35,264,980	\$36,212,118
Difference versus Previous Forecast.....		\$947,138

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



Other set-asides in Council's second year Budget remain for the most part unchanged. Cultural Tourism is \$200,000. Business license refunds are set at \$3.8 million. Master lease debt service payments are \$9,000 above the May 20th estimate. Set-asides include \$65,000 for year 2000 ("Y2K") remediation as set out in Council's second year budget. Homeless facility debt service costs are estimated by Debt Management at \$719,483 versus the previous May 20th estimate of \$725,000. Contingency is set at a standard \$1.4 million. Set-asides are down about \$1 million compared to the previous May 20th forecast.

Figure 2-Current Service Level (CSL) Requirements Financial Forecast (FORC0004)

The table to the right combines the FY1999-00 resource forecast with bureau CSL targets plus Council set-asides. Total resources are \$271,264 million. Deducting assumed set-asides of \$36,212 million leaves \$235,052 million against bureau CSL requirements of \$223,152 million. Additional resources available to Council are \$11,899 million. An estimated \$2,663 million is available to support on-going programs. The remaining \$9,237 million is available to support one-time projects and other one-time budgets during FY1999-00.

Sources & Uses of Funds: Forecast FY1999-00		
Item	Budget	FY1999-00
	FY1998-99	Forecast
Forecast FUND Revenues	\$242,496,932	\$254,186,837
Beginning FUND Balance	\$19,554,190	\$17,077,710
Total FUND RESOURCES	\$262,051,122	\$271,264,547
Less Assumed Set-Asides	(\$32,842,182)	(\$32,212,118)
Less Capital Set-Aside	(\$2,859,766)	(\$4,000,000)
EQUALS AVAILABLE TO BUREAUS-PROGRAMS	\$226,349,174	\$235,052,430
Bureaus CSL Requirement (*)	\$226,349,175	\$223,152,478
EST. GAP, DIFFERENCE.....	(\$1)	\$11,899,952
AVAILABLE For ON-GOING PROGRAMS		\$2,662,783
New One-Time FY1999-00 2nd Year		\$4,537,169
Assumed Carryover FY1998-99 Balance		\$4,700,000

The "Forecast" column, above compared to Council's second year Budget shows substantial increase in resources available for Council's second year budget. The \$11,899 million increase is due to three factors:

- First, forecast revenues are a marginal 1.3 percent (\$3,23 million) higher compared to May 20. This revenue increase translates into about \$1,199 million available to Council on-going and about \$2,029 available one-time. The one-time "makes room" for higher set-asides.
- Second, on-going CSL costs are lower during the forecast due to lower inflation. This resulted in the creation of \$1,463 million of new on-going resources, bringing on-going to \$2,662 million.
- Third, the forecast assumes \$4.7 million unbudgeted balance is committed to the for FY1999-00 budget. There is also a \$2.5 million of increase in the beginning balance forecast compared to last May 20th. The on-going increases in the capital and PERS set-asides also create one-time resources bringing total one-time resources available up to \$9,237 million.

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

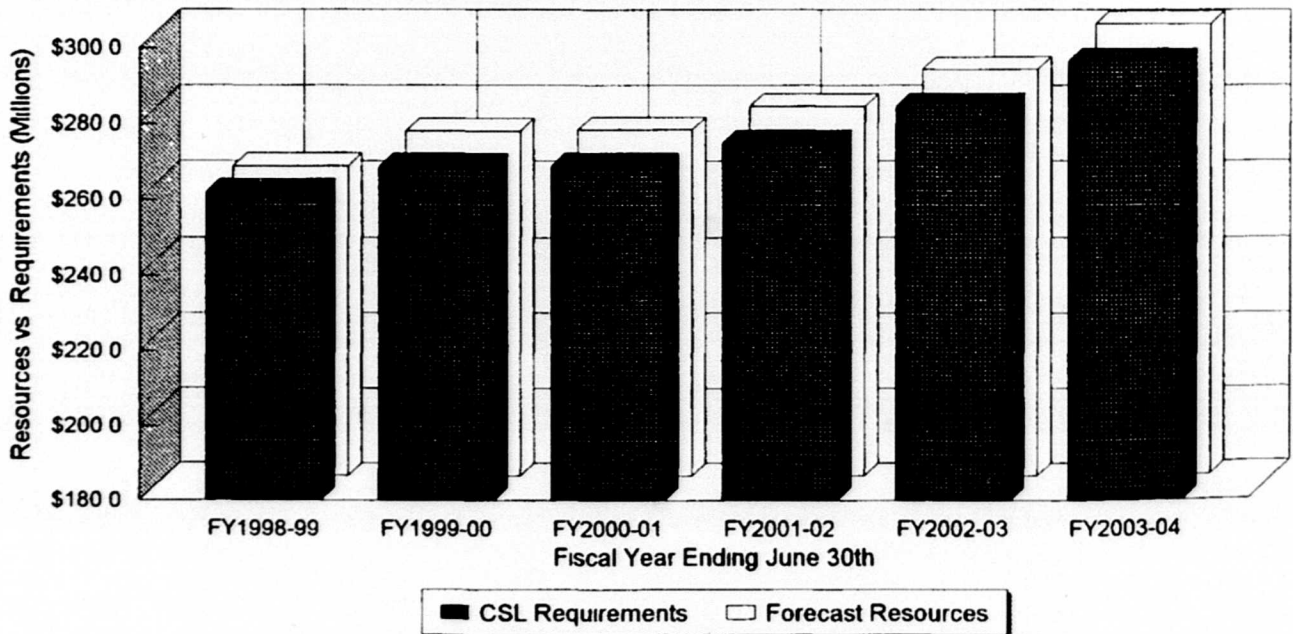


Figure 3-Financial Forecast Resources Compared To Requirements

2-YEAR FINANCIAL FORECAST RESOURCES & REQUIREMENTS DETAIL

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

- Resources total \$542 886 million for two years ending FY2000-01
- Estimated requirements total \$530 309 million over two years
- The General Fund is balanced for this five year financial forecast period with about \$9 24 million available one-time for FY1999-00 and \$2 66 million available for on-going or program budgets

Item-Category	RESOURCES	Current 2 Year Budget		Out-Year	Total
		FY1998-99	FY1999-00	FY2000-01	
		\$262,051,122	\$271,264,547	\$271,621,627	\$542,886,174
Less: Assumed Set-Asides					
LID & Other Debt Service		\$323,620	\$416,082	\$414,891	\$830,973
Compensation Set-Aside		\$6,784,884	\$4,130,948	\$5,973,379	\$10,104,326
Other Set-Asides					
Contingency		\$2,001,157	\$1,400,000	\$1,400,000	\$2,800,000
Unforeseen & Inventory		\$2,000,000	\$2,000,000	\$2,000,000	\$4,000,000
Subtotal-Contingency		\$4,001,157	\$3,400,000	\$3,400,000	\$6,800,000
Capital Set-Aside		\$2,859,766	\$4,000,000	\$5,000,000	\$9,000,000
PERS Debt Service		\$0	\$2,739,283	\$3,225,581	\$5,964,864
Master Lease		\$1,377,794	\$1,446,186	\$1,437,781	\$2,883,966
Subtotal-Capital		\$4,237,560	\$8,185,469	\$9,663,361	\$17,848,830
City Hall/Precincts-Debt Service		\$2,424,545	\$2,479,350	\$2,479,350	\$4,958,700
Street Light O&M Transfer		\$4,632,955	\$4,861,375	\$4,954,380	\$9,815,755
2040 Planning		\$1,090,981	\$521,648	\$736,550	\$1,258,198
Unemployment Insurance		\$200,000	\$200,000	\$200,000	\$400,000
Business License Refunds		\$3,667,760	\$3,814,815	\$3,822,692	\$7,637,507
City Hall Maintenance Reserve		\$0	\$250,000	\$350,000	\$600,000
Y2K Year 2000 Set-Aside		\$265,000	\$65,000	\$0	\$65,000
PDOT CSL Support, One-Time		\$693,159	\$1,420,861	\$724,843	\$2,145,704
Homeless Shelter Debt Service		\$725,000	\$719,483	\$720,873	\$1,440,357
Housing Investment Initiative		\$6,257,502	\$5,534,262	\$4,330,000	\$9,864,262
Misc Transfers/Transfer To Reserve		\$12,815	\$12,825	\$12,825	\$25,650
Cultural Tourism		\$200,000	\$200,000	\$200,000	\$400,000
Subtotal, Assumed Set-Asides		\$35,516,938	\$36,212,118	\$37,983,144	\$74,195,261
LESS: Estimated Bureau Requirements.....		\$226,349,175	\$223,152,478	\$232,961,386	\$456,113,864
Total: Bureaus + Set-Asides.....		\$261,866,113	\$259,364,595	\$270,944,530	\$530,309,125
Difference: Fund Resources Less Bureau Requirements, Set-Asides....		\$185,009	\$11,899,952	\$677,097	\$12,577,049
Assumed, On-Going Programs.....		\$0	\$2,662,783	\$0	\$2,662,783
Assumed, One-Time Projects.....		\$0	\$9,237,169	\$677,097	\$9,914,266

- This third Measure 50 forecast shows a stable General Fund financial outlook for the near term. Increased property tax revenues and continued regional economic growth have stabilized General Fund finances and accommodate out-year program cost increases associated with the withdrawal of federal grants funding for public safety programs. The five year financial forecast is balanced given Council's second year budget and out-year expense and resource forecasts. The forecast, however, is balanced using all available excess reserves above the 10 percent requirement.
- The financial forecast assumes the use of about \$4 million of excess reserves during the first two years of the forecast. 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 much slower economic growth represents more of a risk to the five-year forecast than at any time during the recent past.

Out-Year Detail Of Spring 5-Year Financial Forecast

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 second year budget and the revised CSL cost forecast that incorporates a \$1 million a year increase in the capital set-aside into Council's previous five-year financial plan for FY1998-99 through FY2002-03.

Item	2nd Year		Next Two Year Budget		Out Years of Forecast	
	2000	2001	2002	2003	2004	
Total Resources.....	\$269,542,685	\$269,127,047	\$277,751,658	\$287,573,785	\$299,649,110	
Transfer In From General Reserve.....	\$1,721,862	\$2,494,580	\$0	\$0	\$0	
Bureaus & Programs	\$220,266,806	\$232,961,386	\$241,176,711	\$249,646,798	\$258,979,747	
Capital Set-Aside(*)	\$4,000,000	\$5,000,000	\$6,000,000	\$7,000,000	\$8,000,000	
Est New On-Going	\$2,662,783	\$0	\$0	\$0	\$0	
2nd Year One-Time	\$2,885,672	\$0	\$0	\$0	\$0	
New One-Time	\$4,537,169	\$677,097	\$594,372	\$28,203	\$839,703	
From FY1998-99	\$4,700,000	\$0	\$0	\$0	\$0	
Council Set-Asides	\$32,212,118	\$32,983,144	\$29,980,575	\$30,898,784	\$31,829,660	
Total Requirements	\$271,264,547	\$271,621,627	\$277,751,658	\$287,573,785	\$299,649,110	
Difference	(\$0)	\$0	(\$0)	(\$0)	\$0	
Reserve Fund As A Percent Net Revenues	10.5%	10.0%	10.1%	10.3%	10.4%	

(*) As directed by Council in a November 17, 1998 work session and required by 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 continue to grow moderately although slower than in past years. As was the case in past years, uncertainties continue to plague the forecast. Two crucial uncertainties:

- Recent financial turmoil in Southeast Asia is expected to translate into slower growth without causing a recession. The probability of a recession is however heightened.
- Utility deregulation is gaining steam and the potential effect on franchise fee revenues is still not well understood. This \$43 million revenue stream remains at risk.

Two-Year Forecast Resources-By Budget Category Detail			
Category	FY1999-00		FY2000-01
RESOURCES	@6-20-98	Revised	Forecast
Property Taxes			
<i>Current Year Taxes</i>	\$126,755,123	\$127,780,016	\$133,430,370
<i>Prior Year Taxes</i>	\$3,325,047	\$3,718,540	\$3,110,559
<i>Payment in Lieu of Taxes</i>	\$537,942	\$511,937	\$511,937
Total Property Taxes	\$130,618,112	\$132,010,493	\$137,052,866
Other Taxes			
<i>Lodging Tax</i>	\$10,592,875	\$10,960,669	\$11,430,670
Licenses & Permits			
<i>Business Licenses</i>	\$49,991,100	\$50,800,799	\$50,835,893
<i>Utility License-External State Sources(*)</i>	\$31,259,612	\$31,425,985	\$31,217,823
<i>State Shared Revenue</i>	\$7,661,336	\$8,282,263	\$8,345,684
Local Government			
<i>Local Shared Revenue</i>	\$1,636,851	\$1,542,869	\$1,542,869
Miscellaneous Revenues			
<i>Refunds</i>	\$50,000	\$30,000	\$30,000
<i>Interest on Investments</i>	\$2,205,869	\$2,057,530	\$2,237,077
Other Misc. Revenues			
<i>Other Misc. Revenues</i>	\$259,800	\$95,000	\$95,000
<i>Unforeseen Reimbursable</i>	\$2,000,000	\$2,000,000	\$2,000,000
Transfers, Other Funds			
Utility License-Internal			
<i>Water Operating</i>	\$3,590,188	\$3,477,995	\$3,652,551
<i>Sewer Operating</i>	\$9,316,925	\$9,025,771	\$9,860,584
Miscellaneous			
<i>Parking Facil-Tax Offset</i>	\$164,474	\$164,474	\$166,653
<i>Hyro-Fund Transfer</i>	\$150,000	\$300,000	\$300,000
<i>Auto Port-Tax Offset</i>	\$0	\$0	\$0
<i>Refuse Disposal</i>	\$40,000	\$40,000	\$40,000
<i>HCD-Indirect</i>	\$178,741	\$178,741	\$178,741
<i>Federal Grants-Indirect</i>	\$47,385	\$72,386	\$72,386
<i>Transfer-General Reserve</i>	\$1,194,541	\$1,721,862	\$2,494,580
<i>Supplemental Retire.....</i>	\$0	\$0	\$0
Subtotal-Transfers, Misc.	\$1,775,141	\$2,477,463	\$3,252,360
Beginning Fund Balance			
<i>Unencumbered</i>	\$9,869,576	\$17,077,710	\$10,068,250
TOTAL DISCRETIONARY	\$260,827,385	\$271,264,547	\$271,621,627
Checksum Total-Page 2	\$260,827,385	\$271,264,547	\$271,621,627
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.

Budget Note Forecast Scenario: Fire GO Bond New Station Operations Costs

A Budget Note on page 73 of Council's Adopted (two year) Budget directs the Fire Bureau to develop a financial plan identifying the on-going increased CSL operations, maintenance, and replacement costs the General Fund would need to fund with voter approval of a \$53 million November General Obligation (GO) bond request. Bond proceeds would be used for seismic retrofits and remodels for existing stations along with provision for the construction of two new stations. The Budget Note also says that operational support for at least one new station will be a priority for the FY1999-00 second year budget as well as the next two year budget cycle ending FY2001-02. This Budget Note directs the Office of Finance and Administration to, "present scenarios incorporating fire station operating costs in conjunction with future financial forecasts." The table at the left summarizes the Fire Bureau's estimated operation and maintenance cost impact over a 10 year period which would allow funding for two new fire stations. These estimates were provided by the Fire Bureau. Fire Bureau staff reviewed this schedule before it was incorporated into a financial forecast scenario.

Fiscal Year	Fire Bureau O&M Plan
1999	
2000	
2001	\$1,179,115
2002	\$1,305,357
2003	\$1,422,783
2004	\$1,469,475
2005	\$1,509,885
2006	\$1,556,885
2007	\$2,678,645
2008	\$2,752,307

Source: SEISPLAN.XLS, Fire Bureau

The table below summarizes the impact of incorporating one new fire station along with estimated operations and maintenance costs into the current five year financial forecast.

Item	2nd Year		Next Two Year Budget		Out Years of Forecast	
	2000	2001	2002	2003	2004	
Total Resources.....	\$269,542,685	\$269,127,047	\$277,751,658	\$287,573,785	\$299,649,110	
Transfer In From Excess Reserves.....	\$1,721,862	\$2,494,580	\$0	\$0	\$0	
Fund Resources.....	\$271,264,547	\$271,621,627	\$277,751,658	\$287,573,785	\$299,649,110	
Bureaus-Programs	\$220,266,806	\$231,631,328	\$239,799,749	\$248,221,477	\$257,501,141	
2nd Year One-Time . . .	\$2,885,672	\$0	\$0	\$0	\$0	
Fire Bureau New O&M.	\$0	\$1,180,000	\$1,310,000	\$1,425,000	\$1,470,000	
Council Set-Asides	\$36,212,118	\$37,983,144	\$35,980,575	\$37,898,784	\$39,829,660	
Available On-Going.....	\$1,390,000	\$0	\$0	\$0	\$0	
Available One-Time.....	\$10,509,952	\$827,155	\$661,334	\$28,523	\$848,309	
Total Requirements	\$271,264,547	\$271,621,627	\$277,751,658	\$287,573,784	\$299,649,110	
Balanced or GAP.....	(\$0)	\$0	(\$0)	\$0	\$0	
Reserve Fund As A Percent Net Revenues	10.5%	10.0%	10.2%	10.3%	10.4%	

The financial forecast scenario above includes an additional \$1.18 million necessary to fund on-going operation and maintenance costs associated with one new fire station to be located at NW Skyline and Thompson. This changes the financial forecast in the following ways:

- On-going resources available to Council above CSL requirements drop from \$2.66 million to \$1.39 million. This makes room for \$1.18 million of new fire station O&M costs beginning FY2000-01 and increasing to \$1.47 million in FY2003-04.
- One-time resources available to Council increase from \$9.24 million to \$10.51 million.

This scenario clearly shows, given forecast assumptions, that the forecast can handle a new fire station.

Summary Page For Financial Forecast And Fire Scenario

The table directly below summarizes both the financial forecast and the page 9 scenario that incorporates increased Fire operations costs associated with construction of one new fire station into the forecast. OF&A recommends that the alternative scenario incorporating the added new fire station O&M into the financial forecast serve as the basis of Council's financial planning and FY1999-00 budgeting.

Both the financial forecast and the Fire scenario assume a capital set-aside rising by \$1 million per year: from \$4 million in FY1999-00 to \$8 million in the last year of the forecast in FY2003-04.

	Financial Forecast Base		New Fire+PERS Scenario No 1	Recommended New Fire+PERS
	with \$4 7M	without \$4 7M		
Resources Available				
On-Going	\$2,662,783	\$2,662,783	\$1,390,000	\$1,390,000
One-Time	\$9,237,169	\$4,537,169	\$10,509,952	\$10,509,952
Total Available To Council	\$11,899,952	\$7,199,952	\$11,899,952	\$11,899,952
First Year PERS Costs.(*)....				
	\$2,739,283	\$2,739,283	\$2,739,283	\$2,739,283
New Fire O&M in FY2000-01				
	Not Applicable	Not Applicable	\$1,180,000	\$1,180,000
Out-Years of Forecast.....				
On-Going	2001	\$0	\$0	\$0
Schedule	2002	\$0	\$0	\$0
Resources	2003	\$0	\$0	\$0
Available	2004	\$0	\$0	\$0
One-Time	2001	\$677,097	\$677,097	\$827,155
Schedule	2002	\$594,372	\$594,372	\$661,334
Resources	2003	\$28,203	\$28,203	\$28,523
Available	2004	\$839,703	\$839,703	\$848,309
Excess Reserve Use				
Schedule.....	2000	\$1,721,862	\$1,721,862	\$1,721,862
	2001	\$2,494,580	\$2,494,580	\$2,494,580
Excess Reserves Used....		\$4,216,442	\$4,216,442	\$4,216,442

(*) General Fund pro-rata share of annual POBS debt service

The schedule directly below shows preliminary POBs annual debt service numbers and pro-rated costs using fund payroll totals as estimated by staff. This debt service schedule "loads" all savings into the first nine years. First year General Fund discretionary costs are \$2.7 million.

ITEM	2nd Year	Next Two Year Budget		Out Years of Forecast	
	2000	2001	2002	2003	2004
POB Debt Service.....	\$7,298,992	\$8,594,762	\$11,570,826	\$13,595,507	\$15,497,859
Pro-Rata Shares For					
General Fund	\$2,739,283	\$3,225,581	\$4,342,486	\$5,102,341	\$5,816,286
Water Bureau	\$997,368	\$1,174,428	\$1,581,090	\$1,857,752	\$2,117,698
BES	\$956,293	\$1,126,061	\$1,515,976	\$1,781,244	\$2,030,485
PDOT	\$1,417,884	\$1,669,597	\$2,247,720	\$2,641,030	\$3,010,576
All OTHER	\$1,188,164	\$1,399,096	\$1,883,553	\$2,213,140	\$2,522,814

Note: Estimates in table above are preliminary, not final, and subject to revision. Bureau estimates are for pro-rata shares of debt service costs. Indirect feedback effects of increased IA costs are not in the numbers.

Resolution No. 35753

Adopt the Five Year General Fund Financial Forecast upon which the FY 1999-00 Budget shall be based (Resolution)

WHEREAS, planning and preparation for the FY 1999-00 budget process is underway, and

WHEREAS, the City of Portland, Office of Finance and Administration, Financial Planning Division, has reviewed with the Council and published the Five Year Financial Forecast for FY1999-00 through FY2003-04, and

WHEREAS, the Five Year Financial Forecast includes funding for the operating and maintenance costs of one future fire station within the five year time frame of the forecast, and

WHEREAS, the Five Year Financial Forecast includes an increase of \$1,000,000 per year in the capital set-aside as directed in Resolution no 35526 passed by Council June 12, 1996, and

WHEREAS, the Five Year Financial Forecast includes a scenario which will address the City's present unfunded liability with the Public Employees Retirement System (PERS), and

WHEREAS, risks to the forecast include the turmoil in southeast Asia and legislative efforts at utility deregulation, and

WHEREAS, the Five Year Financial Forecast concludes that the projected resources are sufficient to cover current services and necessary set-asides and the unfunded PERS liability, and

WHEREAS, the Five Year Financial Forecast, attached as Exhibit A includes \$1,390,000 in on-going resources and \$7,485,209 in one-time resources available for Council allocation in the FY1999-00 budget,

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Portland, Oregon, that

- 1 The FY 1999-00 budget shall be based on the resource estimate included in the Five Year Financial Forecast, attached as Exhibit A
- 2 The Office of Finance and Administration is directed to modify the resource estimate based on updated information as it becomes available, and to report any changes to the Council
- 3 The Financial Planning Division will assign target budgets to all General Fund bureaus in accordance with the formula and including the special adjustments described in the Five Year Financial Forecast

ADOPTED by the Council, **DEC 23 1998**

Mayor Katz
TG KR mwm
December 11, 1998

BARBARA CLARK
Auditor of the City of Portland

By *Britta Olson*
Deputy

1884

Agenda No

RESOLUTION NO

35753

Title

Adopt the Five Year Financial Forecast upon which the FY 1999-00 Budget shall be based (Resolution)

INTRODUCED BY	Filed DEC 1 1998
Mayor Katz	Barbara Clark Auditor of the City of Portland
NOTED BY COMMISSIONER	By, <u>Cay Kerstner</u> For Meeting of _____ ACTION TAKEN
Affairs	
Finance and Administration <i>VK</i>	
Safety	
Utilities	
Works	
BUREAU APPROVAL	
Bureau Office of Finance & Administration	
Prepared by Date 12/11/98 Mark W Murray, Budget Coordinator	
Budget Impact Review	
<input checked="" type="checkbox"/> Completed <input type="checkbox"/> Not Required	
Bureau Head <i>Tim Grewe by J Bee</i> Timothy Grewe	

Agenda		Four Fifths Agenda	Commissioners voted as follows		
Consent	Regular X			YEAS	NAYS
NOTED BY		Francesconi	Francesconi	✓	
City Attorney		Hales	Hales	✓	
City Auditor		Kafoury	Kafoury	✓	
City Engineer		Sten	Sten	✓	
		Katz	Katz	✓	