ANNUAL DISCLOSURE INFORMATION

Pertaining to

City of Portland, Oregon

First Lien Water System Revenue & Refunding Bonds:

$44,000,000	**2006 Series B**	**Dated September 21, 2006**
$79,680,000	**2008 Series A**	**Dated August 7, 2008**
$73,440,000	**2010 Series A**	**Dated February 11, 2010**
$82,835,000	**2011 Series A**	**Dated March 22, 2011**
$76,510,000	**2012 Series A**	**Dated July 24, 2012**

Second Lien Water System Revenue & Refunding Bonds:

$253,635,000	**2013 Series A**	**Dated May 2, 2013**

February 15, 2014

MATURITY SCHEDULES FIRST LIEN BONDS:

$44,000,000
First Lien Water System Revenue Refunding Bonds,
2006 Series B

Due Oct. 1	Principal Amount	Interest Rate	CUSIP 736754
2014	$1,530,000	4.000%	FX5
2015	1,585,000	4.000	FY3
2016	5,330,000	5.000	FZ0
2017	5,600,000	5.000	GA4
2018	7,010,000	4.250	GB2
2019	7,315,000	4.375	GC0
2020	7,630,000	4.000	GD8

$79,680,000
First Lien Water System Revenue Bonds,
2008 Series A

Due Nov. 1	Principal Amount	Interest Rate	CUSIP 736754
2014	$2,190,000	5.000%	GK2
2015	2,305,000	5.000	GL0
2016	2,420,000	5.000	GM8
2017	2,545,000	5.000	GN6
2018	2,665,000	4.000	GP1
2019	2,770,000	4.000	GQ9
2020	2,885,000	4.000	GR7
2021	3,005,000	4.125	GS5
2022	3,135,000	4.250	GT3
2023	3,280,000	4.750	GU0
2024	3,435,000	4.750	GV8
2025	3,605,000	4.750	GW6
2026	3,780,000	4.750	GX4
2027	3,965,000	4.750	GY2
2028	4,155,000	4.750	GZ9
2029	4,360,000	4.750	HA3
2030	4,570,000	4.750	HB1
2031	4,795,000	4.750	HC9
2032	5,025,000	4.750	HD7
2033	5,270,000	4.750	HE5

MATURITY SCHEDULES FIRST LIEN BONDS (Continued):

$73,440,000
First Lien Water System Revenue Bonds,
2010 Series A

Due Nov. 1	Principal Amount	Interest Rate	CUSIP No. 736754
2014	$1,920,000	4.00%	HJ4
2015	2,000,000	5.00	HK1
2016	2,100,000	5.00	HL9
2017	2,205,000	5.00	HM7
2018	2,315,000	5.00	HN5
2019	2,430,000	5.00	HP0
2020	2,550,000	4.00	HQ8
2021	2,655,000	4.00	HR6
2022	2,760,000	4.00	HS4
2023	2,870,000	4.00	HT2
2024	2,985,000	4.00	HU9
2025	3,105,000	4.00	HV7
2026	3,230,000	4.00	HW5
2027	3,355,000	4.00	HX3
2028	3,490,000	4.00	HY1
2029	3,630,000	4.00	HZ8
2030	3,775,000	4.00	JA1
2031	3,925,000	4.00	JB9

$17,410,000 4.25% Term Bonds due May 1, 2035;
CUSIP Number 736754 JC7

MATURITY SCHEDULES FIRST LIEN BONDS (Continued):

$82,835,000
First Lien Water System Revenue Bonds,
2011 Series A

Due May 1	Principal Amount	Interest Rate	CUSIP No. 736754
2014	$2,020,000	5.00%	JF0
2015	2,125,000	5.00	JG8
2016	2,230,000	5.00	JH6
2017	2,340,000	5.00	JJ2
2018	2,460,000	5.00	JK9
2019	2,580,000	5.00	JL7
2020	2,710,000	5.00	JM5
2021	2,845,000	4.00	JN3
2022	2,960,000	4.00	JP8
2023	3,075,000	4.00	JQ6
2024	3,200,000	4.00	JR4
2025	3,330,000	4.00	JS2
2026	3,460,000	4.00	JT0
2027	3,600,000	4.00	JU7
2028	3,745,000	4.00	JV5
2029	3,895,000	4.25	JW3
2030	4,060,000	4.50	JX1
2031	4,240,000	4.50	JY9
2032	4,430,000	5.00	JZ6
2033	4,655,000	5.00	KA9
2034	4,885,000	5.00	KB7
2035	5,130,000	5.00	KC5
2036	5,385,000	5.00	KD3

MATURITY SCHEDULES FIRST LIEN BONDS (Continued):

$76,510,000
First Lien Water System Revenue Bonds
2012 Series A

Due April 1	Principal Amount	Interest Rate	CUSIP No. 736754
2014	$1,910,000	4.00%	KF8
2015	1,985,000	5.00	KG6
2016	2,085,000	5.00	KH4
2017	2,185,000	5.00	KJ0
2018	2,295,000	4.00	KK7
2019	2,390,000	5.00	KL5
2020	2,510,000	5.00	KM3
2021	2,635,000	5.00	KN1
2022	2,765,000	3.00	KP6
2023	2,850,000	3.00	KQ4
2024	2,935,000	3.00	KR2
2025	3,020,000	3.00	KS0
2026	3,110,000	3.00	KT8
2027	3,205,000	3.00	KU5
2028	3,300,000	3.00	KV3
2029	3,400,000	3.00	KW1
2030	3,505,000	3.00	KX9
2031	3,610,000	3.00	KY7
2032	3,715,000	3.00	KZ4
2033	3,825,000	3.00	LA8
2034	3,940,000	3.25	LB6
2035	4,070,000	3.25	LC4

$8,545,000 3.25% Term Bonds, due April 1, 2037
CUSIP Number 736754LD2

MATURITY SCHEDULES SECOND LIEN BONDS:

$253,635,000
Second Lien Water System Revenue and Refunding Bonds
2013 Series A

Due October 1	Principal Amount	Interest Rate	CUSIP No. 736754
2014	$3,000,000	2.00%	LF7
2014	8,530,000	5.00	MA7
2015	3,000,000	3.00	LG5
2015	9,040,000	5.00	MB5
2016	9,265,000	5.00	MC3
2017	3,000,000	3.00	LH3
2017	6,715,000	5.00	MD1
2018	3,000,000	3.00	LJ9
2018	6,000,000	5.00	ME9
2019	3,000,000	3.00	LK6
2019	6,410,000	5.00	MF6
2020	3,000,000	4.00	LL4
2020	6,840,000	5.00	MG4
2021	3,000,000	4.00	LM2
2021	8,450,000	5.00	MH2
2022	12,030,000	5.00	MJ8
2023	3,000,000	4.00	LN0
2023	9,635,000	5.00	MK5
2024	8,945,000	5.00	LP5
2025	9,405,000	5.00	LQ3
2026	9,885,000	5.00	LR1
2027	10,395,000	5.00	LS9
2028	10,815,000	3.00	LT7
2029	11,200,000	4.00	LU4
2030	11,650,000	4.00	LV2
2031	10,145,000	4.00	ML3
2031	2,000,000	5.00	LW0
2032	5,925,000	4.00	MM1
2032	2,000,000	5.00	LX8
2033	5,205,000	4.00	MN9
2033	3,070,000	5.00	LY6

$36,685,000 4.00% 2013 Series A Term Bonds due October 1, 2037;
CUSIP Number 736754 LZ3

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ANNUAL DISCLOSURE INFORMATION

Pertaining to:

FIRST LIEN BONDS:

$44,000,000
First Lien Water System Revenue Refunding Bonds
2006 Series B – Dated September 21, 2006

$79,680,000
First Lien Water System Revenue Bonds
2008 Series A – Dated August 7, 2008

$73,440,000
First Lien Water System Revenue and Refunding Bonds
2010 Series A – Dated February 11, 2010

$82,835,000
First Lien Water System Revenue Bonds
2011 Series A – Dated March 22, 2011

$76,510,000
First Lien Water System Revenue Bonds
2012 Series A – Dated July 24, 2012

SECOND LIEN BONDS:

$253,635,000
Second Lien Water System Revenue Bonds
2013 Series A – Dated May 2, 2013

Information Updated as of February 15, 2014

WATER SYSTEM FINANCIAL AND OPERATING INFORMATION

OVERVIEW

This section provides financial and operating information specifically related to the Water System.

FUND ACCOUNTING SYSTEM

The Bureau's financial reporting system is organized into three separate funds. The funds and their financial reporting purpose are described as follows:

> **Water Operating Fund.** This fund serves as the operating fund of the Bureau and, with the exception of debt service, all expenditures are made from this fund for operation, maintenance and capital assets. Receipts from the sale of water are the primary source of revenue for the Water Operating Fund. The cash flow in this fund determines the need for rate increases. The Rate Stabilization Account is within the Operating Fund.
>
> **Water Construction Fund.** By City Charter stipulation, this fund is the recipient of proceeds from bond sales and system development charges. Other sources of revenue include reimbursements for capital expenditures, such as main extensions and service installations, system development charges and sale of assets. Also, a portion of the water sales revenues is transferred to this fund to finance routine system repair and replacement. The Water Construction Fund reimburses the Water Operating Fund for capital asset requirements including capitalized overhead, capitalized interest, and the cost of issuing bonds.
>
> **Water Bond Sinking Fund.** This fund provides for the repayment of bonded debt and interest, and maintains the water revenue bond debt service reserves for various issues. The source of revenue for this fund is a transfer from the Water Operating Fund, reduced by interest earnings on fund balances and a transfer from the Water Construction Fund of interest earnings on bond proceeds.

These three funds enable the Bureau to segregate resources for specific uses and ensure that reserves are not used to supplement daily operating needs. Maintenance of the fiscal integrity of each fund is a key objective of the Bureau's financial planning and analysis efforts. The Bureau's fund structure provides for the accounting and control of expenditures and differs from the account structure described in City Ordinance No. 174241 as it has been amended and may be amended from time to time (the "First Lien Bond Ordinance") and the Master Second Lien Water System Revenue Bond Declaration (the "Master Second Lien Bond Declaration") executed on May 2, 2013. The accounts described in the First Lien Bond Ordinance and the Master Second Lien Bond Declaration have been established to identify priority claims on Water System revenues and are accounted for separately.

HISTORICAL OPERATING RESULTS

The Bureau has collected Water System revenues sufficient to provide for all operating expenses, to pay debt service, and to meet debt service coverage requirements on its outstanding Water System revenue bonds. In addition to meeting these requirements, the Bureau provides cash financing of its capital program by setting current rates and charges at a level sufficient to meet planned debt service coverage targets.

The Bureau continues to maintain a target minimum debt service coverage ratio of 1.90 times on First Lien Bonds (higher than the 1.25 times required by the First Lien Bond Ordinance). In addition, the Bureau maintains a minimum debt service coverage ratio target for combined first and second lien bond debt service of 1.75 times using Stabilized Net Revenues as defined in the Master Second Lien Water System Revenue Bond Declaration. (The Master Second Lien Water System Revenue Bond Declaration requires 1.10 times debt service coverage using Stabilized Net Revenues.)

Historical operating results of the Bureau's financial operations are shown in the following table. Between FY 2008-09 and FY 2012-13, Gross Revenues grew at a compound annual rate of 9.0 percent. Gross revenues increased each year primarily due to the rate change for water sales and increased delinquency receipts. In FY 2012-13 capital charges increased significantly due to an increase in building and permitting activity. Operating Expenses during the five-year period averaged $65.7 million.

Over the last five years, Net Revenues have provided from 2.39 times to 2.75 times debt service coverage on First Lien Bonds. Debt service coverage increased in FY 2012-13 due to the increase in gross revenues and a slight decrease in operating expenses. The Bureau transferred $12.6 million to the Rate Stabilization Account in FY 2012-13. Stabilized Net Revenues provided 1.94 times coverage on the combined annual debt service for both First and Second Lien Bonds in FY 2012-13.

Audited statements of revenues, expenses, and changes in fund net assets, the statement of net assets, and the statement of cash flows for the Water Fund are presented in the Appendix.

Table 1
CITY OF PORTLAND, OREGON
Water Bureau
Historical Operating Results

Fiscal Year Ending June 30	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
(in thousands of dollars)					
GROSS REVENUES (1)					
Operating Revenues	$94,163	$107,333	$112,191	$124,114	$136,119
Interest Earnings	2,620	950	650	719	274
Capital Charges	8,650	5,405	5,859	7,523	12,263
Total Gross Revenues	$105,433	$113,688	$118,700	$132,356	$148,656
OPERATING EXPENSES (1) (2)					
Operating Expenses	$64,275	$66,159	$64,373	$67,670	$66,199
NET REVENUES	$41,158	$47,529	$54,327	$64,686	$82,457
DEBT SERVICE					
First Lien Bonds	$14,993	$17,667	$22,143	$27,026	$31,511
Second Lien Bonds	$4,547	$4,551	$4,546	$4,550	$4,550
G.O. Bonds (3)	$1,621	$1,624	$1,617	$0	$0
DEBT SERVICE COVERAGE (x)					
First Lien Bonds	2.75	2.69	2.45	2.39	2.62
First and Second Lien Bonds	2.11	2.14	2.04	2.05	2.29
All Debt	1.94	1.99	1.92	2.05	2.29
COVERAGE BASED ON STABILIZED NET REVENUES					
NET REVENUES					
Less: Transfers to Rate Stabilization Account	($2,250)	($7,400)	($3,290)	($1,560)	($12,600)
Plus: Transfers from Rate Stabilization Account	0	0	0	0	0
STABILIZED NET REVENUES	$38,908	$40,129	$51,037	$63,126	$69,857
DEBT SERVICE COVERAGE (x)					
First and Second Lien Bonds	1.99	1.81	1.91	2.00	1.94

Notes:

(1) As defined in First Lien Bond Ordinance.
(2) Operating expenses include the Bureau's share of the City's Post-Employment Retirement Benefits (OPEB) starting in FY 2007-08.
(3) There are no outstanding General Obligation Bonds subsequent to the final principal payment on October 1, 2010.

Source: City of Portland. Totals may not add due to rounding.

WATER SYSTEM CUSTOMERS AND DEMAND

The Bureau has both retail and wholesale water customers. Wholesale customers pay based on their use of the system in accordance with their contracts. Retail customers pay for the residual requirements.

The Bureau currently provides water on a wholesale contract basis to 20 water purveyors, which include cities, water districts, and private water companies. Annual water sales to these customers account for about 10 to 15 percent of annual water sale revenues, and about 40 percent of annual water demand. In 2006 and 2007, the City entered into new wholesale contracts with 13 cities and public water districts. These wholesale contracts account for over 99 percent of wholesale water sales. Five of the 13 wholesale contracts have a 10-year term and eight wholesale contracts have a 20-year term. The remaining wholesale contracts are with six small private water companies, whose contracts renew every five years. In 2009, the City signed a contract for water with a 20th wholesale customer, the City of Sandy, which is expected to be delivered beginning in March 2014. The City of Tigard has given notice that it does not intend to renew its water sales agreement with the City. The City of Tigard agreement will terminate on June 30, 2016.

Under the wholesale water sales agreements, wholesale rates are determined according to a complex set of variables and methodologies. Each wholesale customer's rate is determined based on some variables that are specific to that customer, as well as some variables that apply to all the wholesale customers. Each wholesale customer except the six small private water companies has an annual guaranteed purchase quantity (i.e., "take or pay" quantity) that equals or may exceed the prior year's guaranteed quantity, but may not be less than the prior quantity without permission of the Bureau. Those customers also select their seasonal and maximum day peak demand quantities and costs are allocated to each wholesale customer based on these various demand amounts and on the specific water system assets that the respective wholesale customers use. The six small private water companies do not have an annual guaranteed purchase quantity and are billed on actual consumption. Other variables impacting all wholesale customers are the Bureau's budget and an index of municipal bond rates. The rates are then calculated for each wholesale customer on an annual basis.

The amount of revenue to be generated from wholesale customers under these contracts is estimated to be about $15.8 million in FY 2013-14. This revenue is guaranteed for the 10- and 20-year contracts based on the take-or-pay provisions in the contracts, and the guaranteed water quantities requested by each wholesale customer. The table below shows the purchase quantities, percent of sales, rates, and revenues from each wholesale customer for FY 2013-14.

Table 2
CITY OF PORTLAND, OREGON
Water Bureau
Wholesale Customers' Demand and Sales

Wholesale Customer	Earliest Date for Contract Termination	FY 2013-14 Purchase Quantities (million ccf)	FY 2013-14 Rate (1)	Guaranteed Revenue	% of Total Wholesale Sales
Tualatin Valley Water District (2)	06/30/19	6.4	$0.852	$5,471,251	35%
Rockwood Water PUD	06/30/26	3.8	$0.532	$2,024,874	13%
Gresham, City of	06/30/26	3.7	$0.554	$2,027,507	13%
Tualatin, City of (2)	06/30/19	2.1	$0.782	$1,679,002	11%
Tigard, City of (3)	06/30/16	2.0	$1.389	$2,711,150	17%
West Slope Water District	06/30/26	0.7	$1.190	$812,958	5%
Raleigh Water District	06/30/26	0.3	$0.698	$238,421	2%
Palatine Hill Water District	06/30/27	0.2	$1.543	$323,763	2%
Sandy, City of	06/30/28	0.2	$0.394	$63,733	<1%
Lake Grove Water District (2)	06/30/19	0.1	$1.075	$157,368	1%
Valley View Water District	06/30/26	0.1	$1.652	$130,591	1%
Pleasant Home Water District (2)	06/30/19	0.1	$0.806	$78,662	<1%
Lusted Water District	06/30/26	0.1	$0.912	$80,104	1%
Burlington Water District	06/30/26	< 0.1	$0.998	$26,783	<1%
Six private water companies (4)	10/26/16	< 0.1	$0.543	$18,540	<1%
TOTAL		19.8		$15,844,706	100%

Notes:

(1) Wholesale rates are calculated using methodologies that differ from inside-city retail rates, and generally do not include distribution system costs.
(2) These customers with 10-year agreements are obligated to continue to purchase water through at least June 2019.
(3) The City of Tigard has given notice that it does not intend to renew its wholesale water sales agreement with City but has indicated it would like to negotiate with the City provide a backup source of water.
(4) Six private water companies include GNR Corporation, Green Valley Water Company, Hideaway Hills Water Company, Lorna Water Company, Skyview Acres Water Company, and Two Rivers Water Association.

Source: City of Portland. Totals may not add due to rounding.

The following tables present information for the past five fiscal years on the number of accounts billing for water, fire, and irrigation services by wholesale and retail customers, consumption amounts in hundreds of cubic feet ("ccf"), and a list of major users of the Water System.

Table 3
CITY OF PORTLAND, OREGON
Water Bureau
Historical Number of Accounts

Fiscal Year Ending June 30	2008-09	2009-10	2010-11	2011-12	2012-13
TOTAL RETAIL CUSTOMERS (1)	183,400	181,100	181,200	180,600	182,950
WHOLESALE CUSTOMERS					
Tualatin Valley Water District	57,395	57,711	58,117	58,598	59,110
Rockwood Water PUD	13,025	13,218	13,204	13,234	13,257
Gresham, City of	16,233	16,304	16,291	16,866	18,617
Tualatin, City of	6,658	6,631	6,653	6,650	6,753
Tigard, City of	17,848	17,988	18,129	18,265	18,496
West Slope Water District	3,312	3,212	3,316	3,236	3,331
Raleigh Water District	998	1,000	1,003	1,006	1,006
Palatine Hill Water District	609	613	604	604	607
Lake Grove Water District	1,233	1,248	1,271	1,270	1,211
Valley View Water District	376	376	379	379	381
Pleasant Home Water District	532	533	541	545	570
Lusted Water District	410	410	408	410	407
Burlington Water District	118	118	118	118	113
Six private water companies (2)	217	213	212	213	213
Total Wholesale Customers	118,964	119,575	120,246	121,394	124,072
Grand Total	302,364	300,675	301,446	301,994	307,022

Note:

(1) In FY 2011-12, the number of retail customers has changed to number of accounts. In the prior years, the number of services or meters was reported.
(2) Six private water companies include GNR Corporation, Green Valley Water Company, Hideaway Hills Water Company, Lorna Water Company, Skyview Acres Water Company, and Two Rivers Water Association.

Source: City of Portland. Totals may not add due to rounding.

Table 4
CITY OF PORTLAND, OREGON
Water Bureau
Historical Consumption (ccf)

Fiscal Year Ending June 30	2008-09	2009-10	2010-11	2011-12	2012-13
TOTAL RETAIL CUSTOMERS	27,700,000	27,200,000	25,500,000	25,400,000	25,600,000
WHOLESALE CUSTOMERS					
Tualatin Valley Water District	6,491,709	6,339,320	6,589,619	6,536,389	6,497,057
Rockwood Water PUD	3,146,955	3,104,794	3,002,205	2,993,525	3,087,085
Gresham, City of	2,844,941	2,954,078	2,798,389	2,888,362	3,013,120
Tualatin, City of	2,772,672	2,308,092	2,257,048	2,493,131	2,136,013
Tigard, City of	2,517,159	2,550,541	2,542,052	2,383,738	2,451,090
West Slope Water District	618,975	537,173	515,508	506,309	506,227
Raleigh Water District	262,403	251,703	228,480	237,637	256,907
Palatine Hill Water District	210,651	165,945	144,926	142,337	167,696
Lake Grove Water District	168,365	147,040	144,940	146,325	190,535
Valley View Water District	79,487	62,805	53,520	56,390	55,755
Pleasant Home Water District	85,836	70,529	66,122	66,842	68,298
Lusted Water District	77,076	65,673	67,420	63,103	66,615
Burlington Water District	23,378	28,318	23,624	20,306	20,968
Six private water companies (1)	29,439	31,483	27,603	24,388	27,655
Total Wholesale Customers	19,329,046	18,617,494	18,461,456	18,558,782	18,545,021
Grand Total	47,029,046	45,817,494	43,961,456	43,958,782	44,145,021

Note:

(1) Six private water companies include GNR Corporation, Green Valley Water Company, Hideaway Hills Water Company, Lorna Water Company, Skyview Acres Water Company, and Two Rivers Water Association.

Source: City of Portland. Totals may not add due to rounding.

Table 5
CITY OF PORTLAND, OREGON
Water Bureau
Major Users for Fiscal Year 2012-13

Retail Commercial Users	Annual Usage (ccf)	Revenue
Siltronic Corp	596,443	$1,968,338
Bureau of Parks (City of Portland)	254,319	920,756
OHSU	231,397	788,280
Precision Castparts	206,590	688,637
Port of Portland	167,004	593,335
Darigold Inc	153,115	507,815
Portland Public Schools	147,331	592,478
Vigor Industrial, LLC	126,585	421,765
Portland State University	109,987	402,169
Multnomah County, Facilities & Property Management	104,665	388,464
Largest Wholesale Users		
Tualatin Valley Water District	6,497,057	$6,131,494
Rockwood Water PUD	3,087,085	2,278,634
Gresham, City of	3,013,120	2,243,178
Tigard, City of	2,451,090	3,181,635
Tualatin, City of	2,136,013	1,865,992
West Slope Water District	506,227	996,498

Source: City of Portland.

RATES AND RATE SETTING

Section 11-105 of the City Charter authorizes the City Council to fix fees and charges for connection to and use of the Water System. Water user fees and connection charges are formally reviewed every year by the Bureau. Rates required to support proposed activities for the next year are submitted by the Bureau Administrator to the City Council for review and approval.

Rates and charges for water services are established annually based, in part, upon cost of service principles and methodologies recommended by the American Water Works Association (the "AWWA"). The process used by the Bureau follows the Commodity Demand method promulgated by the AWWA. Under this approach, developed for the Bureau by Raftelis Financial Consultants, Inc in 2006, Water System costs are allocated to customers based on their average and peak water demand characteristics and use of the system. Retail rates are then established based on the residual financial requirements of the system.

The Bureau received approval from the State of Oregon Water Resources Department for the City's Water Management and Conservation Plan (the "WMCP"). The WMCP final order states that the Bureau will perform a comprehensive study of conservation rate structure options within the next five years and determine if a change in rate structure is desirable or necessary. The conservation rate structure study was completed in June 2013 and the results of the study indicate no necessary or desirable changes in the water rate structure. The study report along with a letter indicating the Council's recommendation will be submitted to the Oregon Water Resources Department as part of the required progress report under OAR 086-0120(4) by May 25, 2015. Any change in the rate structure that might be implemented by the City, is not expected to affect total revenues required to fund operations, and the earliest any action would be implemented would be FY 2015-16.

The following tables summarize the Bureau's historical rates and water monthly bills for various customers as well as a comparison of residential monthly water bills for various systems within the State of Oregon and the nation.

Table 6
CITY OF PORTLAND, OREGON
Water Bureau
Historical Water Rates

Fiscal Year Ending June 30	2008-09	2009-10	2010-11	2011-12	2012-13
WATER USAGE RATES					
Retail Volume Rate (per ccf) (1)	$2.07	$2.44	$2.733	$3.086	$3.321
BASE CHARGE (Monthly Rate)					
Quarterly Read Customer	$6.17	$7.38	$8.26	$9.33	$10.04
Monthly Read Customer	$18.51	$22.13	$24.79	$27.99	$30.12
MONTHLY WATER BILLS					
Residential (5 ccf)	$16.52	$19.58	$21.93	$24.76	$26.65
Medium Commercial (100 ccf)	$225.51	$266.13	$298.09	$336.59	$362.22
Large Commercial (20,000 ccf)	$41,419	$48,822	$54,685	$61,748	$66,450
Low Income Residential (5 ccf) (2)	$9.92	$9.79	$10.96	$12.38	$13.33

Notes:

(1) Applies to substantially all retail customers.
(2) Beginning in FY 2009-10 the low income discount increased from 40% to 50% of a 5ccf bill.

Source: City of Portland.

Table 7
CITY OF PORTLAND, OREGON
Water Bureau
Comparison of Residential Monthly Water Bills

WATER UTILITY (1)	Residential Monthly Bill For 5 ccf	Residential Monthly Bill For 10 ccf
Local:		
Rockwood Water PUD	$16.92	$27.02
Tualatin, City of	18.85	30.80
Milwaukie, City of	19.74	33.44
Tualatin Valley Water District	22.13	35.83
Beaverton, City of	24.85	38.70
Gresham, City of	31.06	42.00
Portland, City of	27.61	44.81
Lake Oswego, City of	34.38	48.29
West Slope Water District	34.60	56.15
Tigard, City of	38.48	59.18
National :		
Denver, CO		26.63
Charlotte, NC		27.93
Cincinnati, OH		34.46
Sacramento, CA (unmetered)		41.57
Kansas City, KS		56.42
Seattle, WA (winter)		63.65

Notes:

(1) Calculations are based on rates in effect as of January 2014, and the City's rates are effective July 1, 2013, through June 30, 2014.

Source: City of Portland, Portland Water Bureau

BILLINGS AND COLLECTIONS

The City implemented the Cayenta Utilities billing system in April 2006 to serve the Bureau and the City's Bureau of Environmental Services. The City's Revenue Bureau operates the billing system with costs paid by the Bureau.

As of fiscal year ending June 30, 2013, residential accounts make up the majority of the approximately 182,950 active accounts billing for water, fire, or irrigation services with commercial accounts totaling approximately 19,700 (including 3,500 fire line) water services. Billing for water, fire, or irrigation services to retail water customers (about 175,700) is on a quarterly cycle. A monthly pay option is available for qualified customers billed on a quarterly basis. Approximately 7,250 large retail commercial accounts, multi-family users, and wholesale purveyors are billed on a monthly basis. In addition to active accounts billing for water, fire, or irrigation services, the Bureau bills 5,900 active accounts for sewer-related services, most of which are billed bi-monthly.

As described above, the Bureau currently bills most of its customers on a quarterly basis. The FY 2011-12 Adopted Budget included a budget note directing the Bureau to adjust its billing system and business processes so that the majority of the water and wastewater customers are billed monthly. City Council has since revised their initial direction and instead directed the Bureau to develop and offer a voluntary monthly statement program which includes a requirement to sign up for electronic billing in order to reduce costs. In October 2013, the Bureau piloted a Quarterly Read Monthly Statement program to those customers who were already participating in the Bureau's Budget Billing program. From October through December approximately 4,800 customers were converted from Budget Billing to the new Monthly Statement program. In early 2014, the monthly statement program will be available to all residential customers currently billed quarterly who wish to receive monthly statements. Under this program, customers' meters will continue to be read quarterly. Instead of receiving a quarterly bill, customers will receive approximately a third of the quarterly bill charges a month for three months. Customers are required to receive electronic billings to participate in this program.

A financial assistance program for water and sewer services is available to single family residential retail in-city customers with gross monthly household incomes at or below 60 percent of the average State of Oregon median family income. For FY 2013-14, assistance included a flat quarterly bill discount for water customers of $41.40, crisis assistance vouchers (maximum of $150 per year, including $75 for water and $75 for sewer), in-home plumbing repair assistance for owner-occupied properties up to $2,600, and free conservation devices. In addition, a Utility Safety Net Program is available to ratepayers as a temporary last resort to prevent shut off of service if they experience a significant change in household income due to employment, medical, or other emergencies.

Most water bills are collected along with the payment for sewer service. When a bill for water or wastewater service becomes delinquent (21 days after billing) a reminder notice is sent on day 35. Additional notices are sent up to termination of service at eight weeks. Even though the customer is still in arrears at the termination date, the City will set up special payment arrangements rather than shut off water service if it is in the best interest of both the City and the customer to continue water service.

SYSTEM DEVELOPMENT CHARGES

A System Development Charge ("SDC") is levied by the Bureau for each new water service connected to the Water System inside the City boundaries. The Bureau's SDC is in accordance with ORS 223.297-314, and is a reimbursement fee based on the estimated replacement cost of existing water facilities, less depreciation. The amount charged is dependent on the size of the service with larger services paying a greater amount based on the capacity of the meter. Services dedicated to fire flow and temporary construction services do not pay an SDC. FY 2012-13 SDC revenues were approximately $2.5 million.

Table 8
CITY OF PORTLAND, OREGON
Water Bureau
FY 2013-14 SDC Charge by Meter/Service Size

Size of Meter/Service	Charge
5/8”	$2,183
3/4”	3,274
1”	5,456
1-1/2”	10,913
2”	17,246
3”	32,337
4”	53,895
6”	107,789
8”	172,462
10”	310,001

Source: City of Portland.

Beginning with the FY 1999-00 rate ordinance, City Council approved an “Affordable Housing SDC Fee Waiver.” For any new qualified residential construction that meets certain affordability requirements, the entire SDC can be waived for a 5/8” metered service. If a 3/4” metered service is requested, only the SDC dollar amount for the 5/8” metered service is waived. Multi-family housing SDC waivers are also available if certain affordability requirements are met. FY 2012-13 fee waivers (including accessory dwelling units waivers) totaled $266,259. Loss of these revenues is made up through general water retail rates and charges. City Council extended the suspension of system development charges for construction of accessory dwelling units or the conversion of structures to accessory dwelling units until July 31, 2016. FY 2012-13 accessory dwelling unit SDC waivers totaled $96,396.

OTHER FINANCIAL INFORMATION

Outstanding Water System Debt

As of February 15, 2014, the City had a total of $572,260,000 of Water System revenue bonds outstanding, as shown in the following table.

Table 9
CITY OF PORTLAND, OREGON
Water Bureau
Outstanding Water System Revenue Bonds
As of February 15, 2014

Issue	Dated	Final Maturity	Original Par Amount	Amount Outstanding
First Lien Water System Revenue Bonds				
2006 Series B	09/21/06	10/01/20	$44,000,000	$36,000,000
2008 Series A	08/07/08	11/01/33	79,680,000	70,160,000
2010 Series A	02/11/10	05/01/35	73,440,000	68,710,000
2011 Series A	03/22/11	05/01/36	82,835,000	79,360,000
2012 Series A	08/02/12	04/01/37	76,510,000	73,790,000
Subtotal			$356,465,000	$328,020,000
Second Lien Water System Revenue Bonds				
2013 Series A	05/02/13	04/01/37	$253,635,000	$244,240,000
TOTAL			$610,100,000	$572,260,000

Source: City of Portland.

Debt Service Requirements

The following table represents the Bureau's annual debt service requirements on First Lien and Second Lien Bonds.

Table 10
CITY OF PORTLAND, OREGON
Water Bureau
Annual Debt Service Requirements (1)

Fiscal Year Ending June 30	Outstanding First Lien Bond Debt Service	Outstanding Second Lien Bond Debt Service	Total Debt Service
2014	$26,415,150	$19,313,160	$45,728,310
2015	23,454,600	22,054,350	45,508,950
2016	23,449,425	22,050,100	45,499,525
2017	27,020,600	18,772,475	45,793,075
2018	27,021,725	18,777,975	45,799,700
2019	28,145,288	17,655,100	45,800,388
2020	28,137,609	17,664,850	45,802,459
2021	28,143,894	17,658,600	45,802,494
2022	20,359,866	18,766,350	39,126,216
2023	20,359,519	18,774,350	39,133,869
2024	20,361,700	18,777,725	39,139,425
2025	20,356,769	14,563,225	34,919,994
2026	20,356,569	14,564,475	34,921,044
2027	20,355,275	14,562,225	34,917,500
2028	20,356,981	14,565,225	34,922,206
2029	20,355,731	14,563,125	34,918,856
2030	20,360,763	14,561,900	34,922,663
2031	20,354,825	14,554,900	34,909,725
2032	20,356,306	14,564,000	34,920,306
2033	20,356,519	9,922,600	30,279,119
2034	20,353,463	9,923,250	30,276,713
2035	14,957,300	9,924,800	24,882,100
2036	10,136,963	9,922,600	20,059,563
2037	4,481,050	9,921,100	14,402,150
2038	--	9,924,600	9,924,600
TOTAL	$506,007,888	$386,303,060	$892,310,947

Notes:

(1) Totals may not add due to rounding.

Source: City of Portland.

DEBT SERVICE RESERVE ACCOUNTS AND RESERVE CREDIT FACILITIES

First Lien Bonds

Each subaccount within the Revenue Bond Reserve Account for First Lien Water Revenue Bonds is fully funded at or about the Reserve Requirement with a combination of cash and a "Reserve Credit Facility" as shown in the table below. The Reserve Requirement for each Series of First Lien Bonds is defined as the Tax Maximum for that Series.

The City has funded the Revenue Bond Reserve Account for the First Lien Water Revenue System, 2006 Series B Bonds with a "Reserve Credit Facility." The First Lien Bond Ordinance states that a Reserve Credit Facility is a Credit Facility issued for the

purpose of funding, in lieu of cash, all or any portion of the Reserve Requirement, under which the Credit Provider agrees to unconditionally provide the City with funds to transfer to the Revenue Bond Reserve Account if amounts are required to be withdrawn from that account for deposit in the Revenue Bond Account. The First Lien Bond Ordinance defines a "Credit Facility" as "a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device which is obtained by the City to secure Bonds, and which is issued or provided by a Credit Provider whose long-term debt obligations or claims-paying ability (as appropriate) are rated one of the two highest rating categories by a Rating Agency which rated the Bonds secured by the Credit Facility." The City is not obligated to replace the Credit Facility in the event that the rating of the Credit Facility provider is downgraded below one of the two highest rating categories subsequent to the issuance of the bonds to which the Credit Facility applies.

Table 11
CITY OF PORTLAND, OREGON
Reserve Subaccounts for First Lien Bonds (1)

Series	Date of Issue	Maturity Date	Surety Provider/ Cash	Surety Face Value/ Cash Amount	Insurer's Rating (Moody's)
2006 Series B	9/21/2006	10/1/2020	National (2)	$4,400,000	Baa2
2008 Series A	8/7/2008	11/1/2033	Cash	$5,398,544	n/a
2010 Series A	2/11/2010	5/1/2035	Cash	$4,826,425	n/a
2011 Series B	3/22/2011	5/1/2036	Cash	$5,659,388	n/a
2012 Series A	8/2/2012	4/1/2037	Cash	$4,482,938	n/a

Notes:

(1) As of February 15, 2014.

(2) Upon the issuance of the First Lien Water System Revenue Bonds, 2006 Series B, the City purchased a Reserve Credit Facility from MBIA Insurance Corporation ("MBIA") to fund the Reserve Requirement. Since the date of issue, MBIA has been restructured. The surety provider for these bonds is now National Public Finance Guarantee Corporation ("National").

Source: City of Portland.

Second Lien Bonds

The City has created the First Subaccount in the Second Lien Bond Reserve Account, which secures the Second Lien Water System Revenue and Refunding Bonds, 2013 Series A (the "2013 Series A Bonds") and has funded the First Subaccount with cash. The First Subaccount contains an amount equal to the First Subaccount Reserve Requirement, which is equal to one-half of the maximum annual debt service on the 2013 Series A Bonds, or $11,027,175.

FLUORIDE UPDATE

City Council authorized and directed the Bureau to add fluoride to the public water supply in September 2012. Opponents of fluoridation filed a referendum petition to refer the decision to Portland voters. Portland residents voted to repeal the City Council's decision to add fluoride to the water supply in the May 2013 Special Election.

PORTLAND PUBLIC WATER DISTRICT INITIATIVE

A citizen group, Portlanders for Water Reform, has expressed concern about recent utility rate increases, operational decisions, and spending priorities, and is sponsoring an initiative petition to refer a measure to amend the City Charter. The petition must obtain 29,786 signatures from eligible City voters by January 21, 2014, in order to be placed on the ballot for the May 20, 2014 election. On February 6, 2014, the City's Auditor's Office received statistical sampling reports from the Multnomah County Elections Office which estimate that the petition has 32,858 valid signatures of Portland registered voters and therefore qualifies for the ballot. Oregon law allows the measure to be approved by a majority of City voters who vote on the measure. If approved, the measure would transfer authority to operate and manage the City's sewer and water systems from the City Council to the "Portland Public Water District," a separate group that would be formed as part of the City but governed by a new, elected, seven-member board, and would take effect on January 1, 2015.

The City cannot predict whether City voters will approve the ballot measure; however, if the measure is approved by a majority of City voters who cast ballots:

A. The Portland Public Water District would be legally obligated to operate the water and sewer systems in compliance with all bond covenants made by the City before the creation of the Portland Public Water District, including covenants related to the Bonds issued under the First Lien Bond Ordinance and the Master Second Lien Bond Declaration and their related supplemental bond declarations; and,

B. The Portland Public Water District would not be obligated to comply with current internal planning and management standards for the water and sewer systems.

The City cannot predict how the measure, if approved, would affect future operational and financial decisions related to the sewer and water systems other than as required by bond covenants.

CITY OPERATING AND FINANCIAL INFORMATION

OVERVIEW OF FINANCIAL OPERATIONS

Basis of Accounting

The governmental fund types, expendable trust funds, and agency funds are maintained on the modified accrual basis of accounting. The accrual basis of accounting is used for all enterprise funds. The City's accounting practices conform to generally accepted accounting principles as interpreted by the Governmental Accounting Standards Board (the "GASB").

Fiscal Year

July 1 to June 30.

Audits

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. Moss Adams LLP has performed auditing services for FY 2002-03 through FY 2012-13.

A complete copy of the City's FY 2012-13 audit is available on the City's web site at http://www.portlandoregon.gov/bfs/64083. The City's web site is listed for reference only, and is not part of this Annual Disclosure document. Excerpts of the City's audited financial statements for the City's General Fund on a Generally Accepted Accounting Principles (GAAP) basis are found in the Appendix.

Financial Reporting

The City has received the Government Finance Officers Association's ("GFOA") Certificate of Achievement for Excellence in Financial Reporting every year since 1982. According to GFOA, the Certificate of Achievement is "the highest form of recognition in the area of governmental financial reporting." To be awarded the certificate, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose content conforms to program requirements and satisfies both generally accepted accounting principles and applicable legal requirements.

CITY BUDGET PROCESS

The City prepares annual budgets for all its bureaus and funds in accordance with provisions of Oregon Local Budget Law. The law provides standard procedures for the preparation, presentation, administration, and public notice for public sector budgets. At the outset of the process, the Mayor or the full City Council reviews overall goals, establishes priorities, and provides direction to bureaus. The Council conducts an extensive public information process to obtain direct public input on City service priorities, and most bureaus include key stakeholders in developing their budget requests.

In addition to this public outreach process, the City created the Portland Utilities Review Board (the "PURB") in 1994. The PURB, an appointed body of nine interested citizens who provide independent and representative customer review of water, sewer, stormwater, and solid waste financial plans and rates, operates in an advisory capacity to Council. In January 2014, the City Council approved a five-year contract with the Citizens' Utility Board of Oregon, an independent consumer advocacy nonprofit organization, to provide input regarding the City's water and sewer bureaus on behalf of residential customers. The Citizens' Utility Board will provide recommendations to the City Council on capital spending, rates, and customer service issues.

A five-year General Fund financial forecast, which serves as the basis for determining resources available for budgeting, is also provided to the City Council along with budget requests. Major City bureaus generally prepare and submit five-year financial plans and Capital Improvement Plans. The City Budget Office, which was created by the City Council in December 2012, coordinates the budget development process.

Bureau budget requests are reviewed by the Mayor and Council members, as well as a panel of community advisors. The Mayor develops a Proposed Budget that addresses City Council priorities, public input, and balancing requirements. Following presentation of the Proposed Budget, a community hearing is scheduled wherein public testimony is taken. A budget summary

and notice of hearing are published prior to the hearings. The City Council, sitting as the Budget Committee, considers the testimony from the community and can alter the budget proposal before voting to approve the budget.

The City Council transmits the Approved Budget to the Tax Supervising and Conservation Commission (the "TSCC"), an oversight board appointed by the governor, for public hearing and review for compliance with budget law. Upon certification by the TSCC, the City Council holds a final public hearing prior to adoption. Final adoption of the City's budget is required to be through a vote of the Council no later than June 30. All committee meetings and budget hearings are open to the public.

INSURANCE

The City is self-insured for workers' compensation, general liability claims and certain employees' medical coverage in internal service funds. The Oregon Tort Claims Act (ORS 30.260 to 30.300) limits certain claims against the City for personal injury, death and property damage or destruction as described below. Claims under federal jurisdiction are not subject to such limitations.

The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage (included in accrued self insurance claims in the combined statement of net assets). Workers' compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Services and independent actuarial studies. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For fiscal year ending June 30, 2014 the expected rate of return used was 0.40 percent. For fiscal year ending June 30, 2015, the expected rate of return used was 0.50 percent and for subsequent years, the expected rate of return was 0.60 percent. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage that the City deems to be adequate, appropriate, and actuarially sound to meet the City's anticipated settlements, obligations and outstanding liabilities as described above. Current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability coverage insurance policy covers occurrences in excess of $1,000,000 to policy limits for covered loss excluding law enforcement liability. Effective November 12, 2013, the excess liability for law enforcement requires a $2.5 million retention before insurance begins coverage. An excess workers' compensation coverage insurance policy covers claims in excess of $850,000 for occurrences after July 1, 2012. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance fund.

Personal Injury and Death Claim

Under ORS 30.272, the liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed $633,300 for causes of action arising on or after July 1, 2013, and before July 1, 2014. This cap increases incrementally through June 30, 2015, to $666,700. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increases to $1,266,700 for causes of action arising on or after July 1, 2013, and before July 1, 2014, and incrementally to $1,333,300 through June 30, 2015.

For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.272. The adjustment may not exceed three percent for any year.

Property Damage or Destruction Claim

Under ORS 30.273, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2013, and before July 1, 2014, are as follows: (a) $106,700 for any single claimant and (b) $533,400 to all claimants. These liability limits are adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.273. The adjustment may not exceed three percent for any year.

PENSION PLANS

Overview

The Oregon Public Employees Retirement System ("PERS" or "the Statewide PERS System") provides statewide defined benefit retirement plans for units of state government, political subdivisions, community colleges, and school districts. Most public employers in Oregon, including the City, participate in PERS. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board (the "PERS Board"). The PERS Board is responsible for setting policies and for providing administrative direction to PERS. Benefits provided through PERS are paid from the Oregon Public Employees' Retirement Fund ("OPERF"). PERS is a cost-sharing, multiple-employer public employee retirement system.

City employees (other than certain fire and police personnel), after six months of employment, participate in one of three retirement pension benefit programs provided through PERS as described below. The three PERS pension programs include two closed defined benefit programs and one program that has features of both defined benefit and defined contribution plans. In a defined benefit plan, the investment risk for the plan assets is borne by the employer. In a defined contribution plan, the investment risk for the plan assets is borne by the employee. A combination of participating employer contributions (determined by the PERS Board based upon the results of actuarial valuations), investment earnings and employee contributions (currently 6 percent of salaries and 9 percent for police and fire employees) fund these pension programs. See "—Employer Contribution Rates and Amounts" and "—Fire and Police Disability and Retirement Plan" below.

Benefit Programs

Employees hired before January 1, 1996 are known as "Tier 1" participants. The retirement benefits applicable to Tier 1 participants are based on a defined benefit model. Tier 1 has an assumed earnings rate guarantee of 7.75 percent and a normal retirement age of 58. PERS maintains a "Tier One Rate Guarantee Reserve" which is credited with investment earnings in excess of the assumed earnings rate guarantee and used to offset the effects of investment earnings below the assumed earnings rate guarantee. As of June 30, 2013, the balance of this reserve was negative $0.3 million. As of June 30, 2013, there were 39,554 active members and 19,160 inactive members for a total of 58,714 Tier 1 members in the Statewide PERS System.

Employees hired on or after January 1, 1996, and before August 29, 2003, are known as "Tier 2" participants. The Tier 2 program also provides a defined benefit but with lower expected costs to employers than under the Tier 1 benefit. There is no assumed earnings rate guarantee and Tier 2 has a higher normal retirement age of 60. As of June 30, 2013, there were 45,190 active members and 16,889 inactive members for a total of 62,079 Tier 2 members in the Statewide PERS System.

Employees hired on or after August 29, 2003 are participants in a successor retirement program to the Tier 1 and Tier 2 retirement programs (the "T1/T2 Pension Programs") known as the Oregon Public Service Retirement Plan ("OPSRP"). OPSRP consists of a defined benefit plan and also offers the Individual Account Program ("IAP"), which offers a defined contribution benefit. As of June 30, 2013, there were 78,515 active members and 8,770 inactive members for a total of 87,285 OPSRP Pension Program members.

Effective January 1, 2004, all active Tier 1 and Tier 2 employees also became members of the IAP. Tier 1 and Tier 2 employees retain their existing T1/T2 Pension Program account, but member contributions are now deposited into the member's IAP account, not into the member's PERS account.

Apportionment of City Assets and Liabilities

The City is pooled with the State of Oregon and other Oregon local government and community college public employers for its T1/T2 Pension Programs (the "State and Local Government Rate Pool" or "SLGRP"), and the SLGRP's assets and liabilities are

pooled. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City's portion of the SLGRP's assets and liabilities is based on the City's proportionate share of SLGRP's pooled covered payroll. OPSRP's assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City's share of OPSRP's assets and liabilities is based on the City's proportionate share of OPSRP's pooled covered payroll. The City's proportionate liability of the T1/T2 Pension Programs and OPSRP may increase if other pool participants fail to pay their full employer contributions.

Employer Asset Valuation and Liabilities

Oregon statutes require an actuarial valuation of the Statewide PERS System by a competent actuary at least once every two years. The PERS current actuary, Milliman, Inc. replaced the prior actuary, Mercer (US), Inc. ("Mercer") in January 2012. Under current practice, actuarial valuations are performed annually, but only valuations as of the end of each odd-numbered year are used to determine annual required employer contribution rates that employers will be required to pay to fund the obligations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account Plan ("RHIA"). See "POST-EMPLOYMENT RETIREMENT BENEFITS" below. Valuations are released approximately one year after the valuation date.

An employer's unfunded actuarial liability ("UAL") is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits. At its September 27, 2013 meeting, the PERS Board modified certain methods and assumptions, which are used beginning for the 2012 actuarial valuations. The following table shows methods and assumptions adopted by the PERS Board, which are the basis for the actuarial valuations.

Table 12
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Actuarial Assumptions and Methods

ASSUMPTION/METHOD	PREVIOUS (2004-2011 VALUATIONS)	CURRENT (2012 VALUATION)
Actuarial Cost Method:	Projected Unit Credit	Entry Age Normal
UAL Method:		
T1/T2 Programs	Level Percentage of Payroll over 20 years (fixed)	Level Percentage of Payroll over 20 years (fixed) (1)
OPSRP	Level Percentage of Payroll over 16 years (fixed)	Level Percentage of Payroll over 16 years (fixed)
Asset Valuation Method:	Market Value (2)	Market Value (2)
Investment Rate of Return:	8.00%	7.75%
Payroll Growth Rate:	3.75%	3.75%
Inflation Level:	2.75%	2.75%
Contribution Rate Stabilization Method:	Contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 80% and 120%. At a funded status of 70% or less, or 130% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 70% and 80% or 120% and 130%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.	Contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 70% and 130%. At a funded status of 60% or less, or 140% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 60% and 70% or 130% and 140%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.

Notes:

(1) Although the UAL amortization method remains unchanged, the PERS Board directed Milliman to re-amortize the UAL for the T1/T2 Programs from the 2007, 2009, and 2011 valuations to restart the 20-year amortization period for those UALs effective with the 2013 valuation report.
(2) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).

Source: Oregon Public Employees Retirement System.

The PERS actuary released its 2011 valuation for the Statewide PERS System as of December 31, 2011 (the "2011 System Valuation") on October 26, 2012 and its 2012 valuation for the Statewide PERS System as of December 31, 2012 (the "2012 System Valuation") on December 13, 2013. These reports include system-wide actuarial valuations for the T1/T2 Pension Programs and OPSRP.

The PERS actuary released the City's individual 2011 valuation report as of December 31, 2011 (the "2011 City Report") on September 28, 2012, and its individual 2012 valuation as of December 31, 2012 (the "2012 City Report") on December 27, 2013. These valuation reports provide the City's portion of (a) the SLGRP based on the City's proportionate share of the total SLGRP covered payroll as of the valuation date, (b) OPSRP based on the City's proportionate share of total OPSRP covered payroll as of the valuation date, and (c) the RHIA.

The tables below provide historical summary valuation information for the Statewide PERS System and for the City.

Table 13
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of Statewide PERS System Funding Levels
($ in Millions) [1]

	STATEWIDE PERS SYSTEM			
Calendar Year	**Actuarial Value of Assets**	**Actuarial Liability**	**Unfunded Actuarial Liability**	**Funded Ratio**
2003	$42,753.3	$44,078.1	$1,324.8	97.0%
2004 [2][3]	45,708.3	47,398.6	1,690.3	96.4
2005 [4]	51,403.9	49,294.0	-2,109.9	104.3
2006	56,616.5	51,252.9	-5,363.6	110.5
2007	59,327.8	52,871.2	-6,456.6	112.2
2008	43,520.6	54,259.5	10,738.9	80.2
2009	48,729.2	56,810.6	8,081.4	85.8
2010	51,583.6	59,329.5	7,745.9	86.9
2011	50,168.2	61,198.4	11,030.2	82.0
2012[5]	54,784.1	60,405.2	5,621.1	90.7

Notes:

(1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA. Includes side accounts resulting from employer supplemental deposits, including proceeds of pension obligation bonds.

(2) In 2003, the Oregon Legislative Assembly enacted significant changes to the System and created OPSRP. The 2003 legislative reforms were enacted in response to a growing UAL of the System and to increasing charges to public employers to fund the Statewide PERS System.

(3) Effective with the 2004 System valuation, the cost method changed from Entry Age Normal to Projected Unit Credit, and the actuarial value of assets was changed from a four-year smoothed value to market value among other changes.

(4) Assets and liabilities for OPSRP are first valued in the 2005 OPSRP Valuation.

(5) Reflects legislative changes in Senate Bill 822 adopted during the 2013 session of the Oregon State Legislature and assumptions and methods adopted by the PERS Board on September 27, 2013, and recent legislative changes in Senate Bills 861 and 862 adopted during the 2013 special session of the Oregon State Legislature. See "RECENT DEVELOPMENTS" below.

Source: Oregon Public Employees Retirement System.

Table 14
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of City Funding Levels
($ in Millions) [1]

Calendar Year	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability	Funded Ratio
2003	$1,187.4	$1,159.2	($28.2)	102.4%
2004 (2) (3)	1,295.5	1,294.9	(0.6)	100.0
2005 (4)	1,459.9	1,367.1	(92.8)	106.8
2006	1,619.3	1,432.0	(187.3)	113.1
2007	1,635.0	1,410.8	(224.2)	115.9
2008	1,280.6	1,539.9	259.2	83.2
2009	1,424.0	1,606.0	182.0	88.7
2010	1,499.8	1,672.5	172.7	89.7
2011	1,459.0	1,724.2	265.3	84.6
2012(5)	1,624.8	1,744.3	119.5	93.2

Notes:

(1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA. City information is calculated separately for the SLGRP and OPSRP using the City's payroll as a percentage of combined payroll of the respective rate pools. Includes impact of pension obligation bonds.

(2) In 2003, the Oregon Legislative Assembly enacted significant changes to the Statewide PERS System and created OPSRP. The 2003 legislative reforms were enacted in response to a growing UAL of the System and to increasing charges to public employers to fund the Statewide PERS System.

(3) Effective with the 2004 System valuation, the cost method changed from Entry Age Normal to Projected Unit Credit, and the actuarial value of assets was changed from a four-year smoothed value to market value among other changes.

(4) Assets and liabilities for OPSRP are first valued in the 2005 OPSRP Valuation.

(5) Reflects legislative changes in Senate Bill 822 adopted during the 2013 session of the Oregon State Legislature and assumptions and methods adopted by the PERS Board on September 27, 2013 and recent legislative changes in Senate Bills 861 and 862 adopted during the 2013 special session of the Oregon State Legislature. See "RECENT DEVELOPMENTS" below.

Source: Oregon Public Employees Retirement System.

The following table presents a history of the City's member payroll, unfunded actuarial liability and ratio of unfunded actuarial liability to payroll.

Table 15
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
City Payroll for PERS Members and Unfunded Actuarial Liability

Calendar Year	Payroll	Unfunded Actuarial Liability	Unfunded Liability to Payroll Ratio
2003	$201,036,519	($28,240,751)	-14%
2004	220,669,089	(587,340)	0%
2005	226,295,315	(92,818,145)	-41%
2006	242,259,162	(187,332,041)	-77%
2007	259,889,403	(224,199,619)	-86%
2008	289,371,762	259,241,423	90%
2009	303,851,551	182,019,126	60%
2010	307,538,429	172,726,579	56%
2011	303,508,135	265,267,189	87%
2012	311,688,601	119,477,128	38%

Source: Oregon Public Employees Retirement System.

The funded status of the pension programs may change depending on the market performance of the securities that the OPERF is invested in, future changes in compensation and benefits of covered employees, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. Additionally, the market value of the investments held in the OPERF is determined using various sources.

State Investment Policy

The Oregon State Treasury is the investment officer for the state of Oregon. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council ("OIC") establishes policies for the investment and reinvestment of moneys in PERS investment funds. Policies are established based on the primary investment asset class of each investment manager. The OIC has approved the following asset classes for the OPERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, OPERF invests in the Opportunity Portfolio, which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. The target investment portfolio mix at fair market value as of June 30, 2012, is 43 percent public equity, 16 percent private equity, 25 percent debt securities, 11 percent real estate, and 5 percent alternative equity.

The following table presents a 10-year history of investment returns for the OPERF.

Table 16
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Oregon PERS Investment Returns (1)

Fiscal Year Ending	Net Returns (%)
2004	17.8
2005	13.9
2006	14.4
2007	18.6
2008	-3.5
2009	-22.2
2010	17.0
2011	22.3
2012	1.6
2013	12.7

Notes:

(1) Total fund performance, excluding variable account.

Source: "Oregon PERS Monthly Returns" as of June 30 of the respective fiscal year shown in the table, website of the Oregon State Treasurer, Investment Division, Oregon Public Employees Retirement Fund (OPERF) as of January 23, 2014.

The following table presents annualized investment returns over the most recent 1-year, 3-year and 5-year periods. Calculations were prepared using a time-weighted rate of return based on market rates in accordance with the Global Investment Performance Standards performance presentation standards.

Table 17
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Annualized Investment Results (1)

	Annualized		
Periods Ending June 30, 2013	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	12.7%	11.9%	5.0%

Notes:

(1) Total fund performance, excluding variable account.

Source: Comprehensive Annual Financial Report Oregon Public Employees Retirement System, An Agency of the State of Oregon.

Employer Contribution Rates and Amounts

The PERS Board is required by State statute to determine liabilities of the Statewide PERS System from time to time and to set contributions of participating employers at a level that ensures liabilities of the Statewide PERS System will be funded no more than 40 years after the date on which the determination is made. ORS 238.225 requires participating public employers to pay the amounts the PERS Board determines to be actuarially necessary to fund benefits provided to employees.

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including known and anticipated investment performance of the OPERF.

At the end of each odd-numbered year, actuarial valuations determine the employer contribution rates that are officially set by the PERS Board. All employers participating in PERS are required to make their contribution to PERS based on the employer contribution rates set by the PERS Board. The City's employer contribution rates were derived using a rate stabilization methodology (the "Rate Collar") designed to cap rate increases and reduce large fluctuations in employer contribution rates. Such rate increases are shifted to future biennia, including the 2013-15 biennium. See Table 12 for a summary of the Rate Collar in effect for the 2011 City Report and the 2012 City Report.

In 2013, the PERS Board and the Oregon Legislative Assembly took various actions that resulted in changes to the assumptions and methodologies for determining the employer contribution rates. Legislation was signed by the Governor on May 6, 2013 ("SB 822") that includes changes to compensation and benefits of PERS covered employees. SB 822 also includes a direction to the PERS Board to defer a 1.9% of payroll rate increase into future biennia. As a result of these actions, the employer contribution rates f or the 2013-15 biennium have been modified from those originally presented in the 2011 City Report. See "—Recent Developments" below.

The table below shows the City's current employer contribution rates, which incorporate the rate reduction resulting from passage of Senate Bill 822 and the accompanying budget note and were adopted by the PERS Board on May 31, 2013. The table also shows the City's advisory rates for the 2015-17 biennium as reported in the 2012 City Report. The advisory rates reflect the impact of legislation passed during the 2013 Oregon Legislature Special Session and are based on assumptions and methodologies adopted by the PERS Board at its September 27, 2013, meeting. See Table 12 for a summary of the assumptions and methodologies. Advisory rates are used by the City in projecting and planning for pension costs in future years. The rates reported in the table do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City. The City's contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of pension-related reserves, further changes to system valuation methodology and assumptions and decisions by the PERS Board, and changes in benefits resulting from legislative modifications.

Table 18
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Current and Future Employer Contribution Rates
Percentage of Covered Payroll (1)

Payrolls Paid	Current Rates 2013-15	Advisory Rates 2015-17
T1/T2	9.34%	12.94%
OPSRP General Services	7.52%	6.92%
OPSRP Police and Fire	10.25%	11.02%

Notes:

(1) For FY 2012-13, one percent of the City's covered payroll for the three pension benefit programs was approximately: $1,748,163 for T1/T2 Pension Programs; $1,026,965 for OPSRP general services; and $273,966 for OPSRP police and fire.

Source: City of Portland, Oregon Public Employees Retirement System, 2012 City Report prepared by Milliman.

T1/T2 Pension Programs employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution. An employer also may elect via written employment policy or agreement to make additional employer contributions to its employees' IAP accounts in an amount that can range from not less than one percent of salary to no more than six percent of salary and must be a whole percentage. Employers may make this policy or agreement for specific groups of their employees. The City has elected to make an optional contribution to the IAP accounts of public safety employees hired after January 1, 2007 of an additional three percent of their annual salary.

City Funding Policy

The City currently has no Council-approved policy regarding funding of its pension liability. However, the City has always funded its full employer contribution as required by ORS 238.225. See "—Employer Contribution Rates and Amounts" above.

Pension Obligation Bonds

In addition to their PERS contribution, City bureaus in existence as of November 10, 1999 (the issue date of the bonds) are required to make a contribution to pay debt service on outstanding Limited Tax Pension Obligation Revenue Bonds (the "Pension Obligation Bonds"), which were issued to fund the City's share of the unfunded actuarial liabilities of PERS as of December 31, 1997. The Pension Obligation Bonds were issued in three series: one series of fixed rate bonds in an amount of $150,848,346 and two series of auction rate securities in an aggregate amount of $150,000,000. The final maturity of the fixed rate Pension Obligation Bonds is June 1, 2029. Pension Obligation Bonds issued as auction rate securities mature on June 1, 2019. Table 19 presents debt service on the City's Pension Obligation Bonds for the past ten fiscal years.

Proceeds of the Pension Obligation Bonds were deposited in an account with PERS. The City opted to amortize the original deposit ratably over the life of the bonds. Table 19 below shows the amount of bonds amortized annually and debt service paid by the City on its Pension Obligation Bonds. As of June 30, 2013, the remaining unamortized balance of the bond proceeds deposited with PERS was $141,138,188.

Total City Pension and RHIA Contribution

The following table shows the amount of City contributions paid to PERS for the three pension programs including amounts paid by the City for the employee contribution, as well as contributions to RHIA. Contributions include the payments from the Fire and Police Disability and Retirement Fund for pensions of police and firefighters participating in the T1/T2 Pension Programs and OPSRP. Fire and Police Disability and Retirement Fund contributions are funded from a dedicated Citywide property tax levy. See "—Fire and Police Disability and Retirement Fund" below. In FY 2012-13, 55.0 percent of the total cash contribution was for the employer share, 41.3 percent was for the employee share, and 3.6 percent of the total was for the City's contribution to RHIA.

The City made its required contribution for its pension obligation in all years. See "—Employer Contribution Rates and Amounts" above.

Table 19
CITY OF PORTLAND, OREGON
City Contributions to PERS and Total Pension-Related Contributions

Fiscal Year	Total City Required Contribution (1)	Amortization of Pension Obligation Bonds (2)	City's Cash Contribution to PERS (3)	Debt Service on Pension Obligation Bonds	Total Cash Contribution for Pension Costs
2004	$27,390,839	$8,579,719	$18,811,120	$10,255,372	$29,066,492
2005	28,857,496	8,579,719	20,277,777	11,987,632	32,265,409
2006	29,765,118	8,597,252	21,167,866	14,635,732	35,803,598
2007	31,172,696	8,597,252	22,575,444	18,990,492	41,565,936
2008	32,779,658	8,597,252	24,182,406	19,839,413	44,021,819
2009	43,924,072	8,597,252	35,326,820	22,049,937	57,376,757
2010	41,195,860	8,597,252	32,598,608	18,253,638	50,852,246
2011	42,219,332	8,597,252	33,622,080	16,413,710	50,035,790
2012	53,826,983	8,597,252	45,229,731	17,738,966	62,968,697
2013	53,875,808	8,597,252	45,278,556	19,432,611	64,711,167

Notes:

(1) Includes City's statutorily required employer contribution for T1/T2 and OPSRP pension programs, its pension contribution on behalf of employees, and its contribution to the RHIA.

(2) Change in amortization amounts between FY 2004-05 and FY 2005-06 reflects correction in amortization schedule.

(3) Includes contributions from FPDR property tax levy and other non-General Fund bureaus such as the Water Bureau and the Bureau of Environmental Services.

Source: City of Portland

Recent Developments

Changes to PERS During the 2013 Legislative Session

During the 2013 Legislative Session, the Legislative Assembly made changes to PERS by enacting Senate Bill 822 ("SB 822"), which was signed by the Governor on May 6, 2013, to further limit annual benefits cost of living adjustments ("COLAs") and eliminate a benefit increase for out-of-state retirees based on Oregon income tax. Expenditure reductions from these two changes reduced the required employer contribution amount to PERS from all employers by approximately $460 million for the 2013-2015 biennium. The changes are estimated to reduce the total accrued actuarial liability of the System by approximately $2.6 billion and reduced employer contribution rates by an average of 2.5 percent of payroll for the 2013-2015 biennium. Lawsuits challenging the constitutionality of the changes made by SB 822 have been filed in the Oregon Supreme Court. See "Litigation—Challenges to PERS Reforms" below.

A budget note attached to SB 822 (the "Budget Note") directed the PERS Board to defer a portion of the currently scheduled employer rate increase (up to an additional 1.9 percent of covered employer payroll) from the 2013-2015 biennium to future biennia. SB 822 is expected to produce employer contribution savings for the City for the 2013-2015 biennium. At its May 31, 2013 meeting, the PERS Board adopted a methodology by which all PERS employers received a reduction of up to the aggregate 4.4 percent of covered payroll in their employer contribution rates for the 2013-2015 biennium; however, no jurisdiction may pay less than the rate at which it paid in 2011-2013, excluding the impact of side accounts resulting from employer supplemental deposits (typically financed through issuance of pension obligation bonds) and other rate adjustments specific to individual employers.

Implementing the 1.9 percent of payroll employer contribution rate deferral of the 2013-2015 employer contribution rates is not expected to impact the actuarial accrued liability of the Statewide PERS System; it is, however, expected to create a contribution

shortfall to the Statewide PERS System of approximately $350 million in the 2013-2015 biennium. As such, employer contribution rates would need to be increased by approximately 0.3 percent of covered payroll over a 20-year amortization period beginning in the 2015-2017 biennium to restore the contribution shortfall from the rate deferral and the associated foregone earnings over the applicable unfunded liability amortization period. However, see "—2013 Oregon Legislative Special Session" below.

2013 Oregon Legislative Special Session

The Governor called the Legislative Assembly into a special session that began on September 30, 2013, and concluded on October 2, 2013 (the "Special Session"). During the Special Session, the Legislative Assembly adopted Senate Bill 861 ("SB 861") and senate Bill 862 ("SB 862"), which were signed by the Governor on October 8, 2013. Included in these bills are provisions that adjust and limit cost-of-living benefit increases for retirees, exclude salary increases given to pay for insurance costs from the final average salary used to calculate pension benefits, and reduce legislators' participation in PERS. The changes from SB 861 and SB 862 are estimated to result in a reduction of approximately $2 billion in the accrued liability of the Statewide PERS System as reflected in the 2012 System Valuation Presentation provided by Milliman to the PERS Board on September 27, 2013. This reduction takes into account changes made during the 2013 Legislative Session from SB 822 as well as a reduction in employer contribution rates of approximately two percent (but does not take into consideration any rate collars or other PERS Board or legislative actions that could impact employer rates). The reduction in Statewide PERS System liabilities resulting from SB 861 is expected to be used to offset the 1.9 percent rate deferral ordered by the PERS Board in response to the budget note in SB 822. This will eliminate an anticipated 0.3 percent increase in employer rates that was expected to begin in the 2017-19 biennium to address the 1.9 percent rate deferral. See "—Changes to PERS During the 2013 Legislative Session" above. The City cannot predict whether any legislation related to PERS would withstand any legal challenges. See "Litigation—Challenges to PERS Reforms" below.

Litigation

Challenges to PERS Reforms

Several cases have been filed on behalf of PERS retirees and active employees challenging changes to PERS retirement benefits that were enacted by the Legislative Assembly in the 2013 Legislative Session and the 2013 Oregon Legislative Special Session. See "Recent Developments—Changes to PERS during the 2013 Legislative Session." The cases have been filed directly with the Oregon Supreme Court. The petitioners allege that SB 822 and SB 861 constitute a breach of contract as well as an impairment of contract and a taking of property rights in violation of the Oregon and United States constitutions. In the cases filed on behalf of several union retirees and employees, the petitioners have requested the appointment of a special master to gather evidence and establish findings of fact. They also have requested the issuance of a preliminary injunction enjoining the implementation of SB 822 and SB 861, a declaration that SB 822 and SB 861 are unconstitutional or, alternatively, damages in the amount of the difference between benefits paid with and without SB 822 and SB 861, and reimbursement of attorney fees and costs. The SB 822 and SB 861 challenges have been joined and the Supreme Court has referred them to a special master for fact finding. If SB 822 or SB 861 is enjoined or held unconstitutional, the anticipated savings from the PERS changes that were calculated as part of the City's adopted budget and plan may not be realized for the 2013-2015 biennium and future biennia. No challenges to SB 862 have been filed.

Fire and Police Disability and Retirement Fund

The following discussion pertains to the City's Fire and Police Disability and Retirement ("FPDR") Fund. Most of the fire and police sworn personnel are covered under the FPDR Plan. The FPDR Plan consists of three tiers, two of which are now closed to new employees. FPDR One, the original plan, and FPDR Two, in which most active fire and police personnel participate, are single-employer, defined-benefit plans administered by the FPDR Board. FPDR Three participants are part of OPSRP for retirement benefits and are under the FPDR Plan for disability and death benefits. For information regarding OPSRP and the employee and employer contribution rates for OPSRP, see "PENSION PLANS – General," above. The authority for the FPDR Plan's vesting and benefit provisions is contained in the Charter of the City. A ballot measure approved by voters November 6, 2012, changed the eligibility for membership in the FPDR Plan of fire and police personnel from generally upon employment to after six months of continuous sworn employment. The FPDR Plan provides for service-connected disability benefits at 75 percent of salary, reduced by 50 percent of any wages earned in other employment with a 25 percent of salary minimum, for the first year of disability and 25 to 75 percent of salary in later years, depending on medical status and ability to obtain other employment. The FPDR Plan also provides for nonservice-connected disability benefits at zero to 50 percent of salary.

Effective July 1, 1990, the FPDR Plan was amended to create the FPDR Two tier, which provides for the payment of benefits upon termination of employment on or after attaining age fifty-five, or on or after attaining age fifty if the member has twenty-

five or more years of service. Members become 100 percent vested after five years of service. Members enrolled in the FPDR Plan prior to July 1, 1990, were required to make an election as to whether they wished to fall under the provisions of the FPDR Plan as constituted prior to July 1, 1990 (now called FPDR One) or become subject to the new FPDR Two provisions after June 30, 1990.

On November 7, 2006, voters in the City of Portland passed a measure that created the FPDR Three tier and changed the retirement plan benefits of new members to OPSRP. The FPDR levy pays the employee and employer portions of the OPSRP contribution. Performance audits have been implemented to assess the implementation of the FPDR Plan reforms. The initial and follow-up disability program audits have been performed, and a pension program audit was completed in January 2010.

Another ballot measure passed by the voters November 6, 2007, also made new retirees from active service eligible for payment by the FPDR Fund of medical and hospital expenses associated with their job-related injuries and illnesses accepted before retirement. The change is effective for retirees after January 1, 2007. New state legislation governing workers' compensation law requires that the FPDR Fund treat 12 cancers as presumptive occupational illnesses for firefighters effective January 1, 2010.

The November 6, 2012, ballot measure also clarified final pay calculations, eliminated a provision to increase vested termination benefits if the member was subsequently employed in PERS-covered service prior to FPDR retirement, and reduced the eligibility threshold for non-service connected death before retirement from ten years of service to five.

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mills on each dollar of valuation of property ($2.80 per $1,000 of real market value) not exempt from such levy. The FPDR property tax levy has been sufficient in all years to meet required annual benefit payments. In the event that funding for the FPDR Plan is less than the required payment of benefits to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the two and eight-tenth mills limit, other City funds would be required to make up the difference. The FY 2013-14 levy of $136,383,540 required a tax rate of $2.7822 per $1,000 of assessed property value, or approximately $1.6227 per $1,000 of gross real market value.

In accordance with the Charter's provisions, there are no requirements to fund the Plan using actuarial techniques, and the Charter indicates that the City cannot pre-fund the FPDR Plan benefits. As required by the Charter, the FPDR Fund's Board of Trustees estimates the amount of money required to pay and discharge all requirements of the FPDR Fund for the succeeding fiscal year and submits this estimate to the City Council. The Council is required by Charter to annually levy a tax sufficient to provide amounts necessary to fund the estimated requirements for the upcoming year provided by the FPDR Fund's Board of Trustees. While the FPDR Fund has not experienced any funding shortfalls to date, future funding is dependent on the availability of property tax revenues and, in the absence of sufficient property tax revenues, City funds.

The FPDR Fund's Board periodically assesses the future availability of property tax revenues by having projections and simulations performed in connection with the actuarial valuation of the Fund. The most recent assessment was as of June 30, 2012. The Fund's Board believes that, under a wide range of simulated economic scenarios in the foreseeable future, the future FPDR Fund levy would remain under $2.80 per $1,000 of real market value, but reaching the $2.80 threshold has a five percent or greater probability level starting in fiscal year 2028 and an almost 10 percent probability in fiscal year 2030. The levy requirement is expected to begin declining in fiscal year 2031.

Recognizing that the economic conditions have changed significantly over the past few years, the City reviewed the discount rate and assumptions utilized in the calculations of the actuarial valuation, including actuarial accrued pension liabilities and net pension obligation, and determined they should be revised to more closely match the funding and investment returns that actually are achieved under existing investment. The City revised the rate for the June 30, 2012, valuation from 4.00 percent to 3.50 percent. This change increased the unfunded actuarial liability by $226 million. Overall the unfunded actuarial liability increased from $2.53 billion on July 1, 2010, to $2.88 billion on July 1, 2012.

OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")

The City's OPEB liability includes two separate plans. The City provides a contribution to the State of Oregon PERS cost-sharing multiple-employer defined benefit plan and an implicit rate subsidy for retiree Health Insurance Continuation premiums.

PERS Program

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to $60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA's assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2011 City Report, the City's allocated share of the RHIA program's UAL is $7,862,531 as of December 31, 2011, and according to the 2012 City Report, the City's allocated share of the RHIA program's UAL is $6,539,359 as of December 31, 2012.

The City's current total contribution rate to fund RHIA benefits for T1/T2 employees is 0.59 percent and for OPSRP general services employees and police and fire employees is 0.50 percent.

Health Insurance Continuation Option

Distinct from the PERS program, Oregon municipalities, including the City, are required to allow retirees and their dependents to continue to receive health insurance by paying the premiums themselves at a rate that is blended with the rate for current employees until retirees and spouses are eligible for federal Medicare coverage and until children reach the age of 18 (the "Health Insurance Continuation Option"). GASB 45 refers to this as an implicit subsidy and therefore requires the corresponding liability to be determined and reported.

The OPEB liability associated with the Health Insurance Continuation Option is an actuarially determined amount calculated in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The valuation is prepared using the Entry Age Normal actuarial cost method and amortized over an open period of 30 years using the level percentage of projected pay. Other assumptions include a 3.5 percent investment rate of return, and annual healthcare cost trend rates of one to 9.5 percent for health insurance, zero to six percent for dental insurance, and zero to three percent for vision. The City's unfunded actuarial accrued liability for OPEB is solely attributable to the Health Insurance Continuation Option and at the valuation date of July 1, 2011 (the date of the most recent actuarial valuation), is estimated to be $104,946,292. Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. A new valuation study will be undertaken for reporting the OPEB liability as of July 1, 2013.

For FY 2012-13, the annual required contribution (the "ARC") of the employer to be recognized as the annual employer OPEB cost was $9,566,141. For fiscal year ended June 30, 2013, the City benefits paid on behalf of retirees exceeded the premiums they paid by $3,983,198. The City elected to not pre-fund the FY 2012-13 employer's ARC of $9,566,141. The amount unfunded in FY 2012-13 is $36,399,053, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2012-13, less payments made in relation to the FY 2012-13 ARC. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and ARC, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

LITIGATION

Members of the public and advocacy groups from time to time assert that they intend to file a legal action against the City challenging certain programs, laws or actions that the City, its officers or bureaus have taken. Because the City cannot be certain as to whether such actions will actually be filed, the legal assertions that may be made in a potential action or the remedy sought in terms of the amount of damages or performance requested of the City, the City includes as threatened litigation only situations in which the City is engaged in active settlement negotiations with a person or group in order to pre-empt filing of a lawsuit.

The City discloses only pending or threatened litigation that the City has determined may have a materially adverse impact on the financial position of the Bureau or the Water System. The current level of materiality involves litigation where the damages or performance sought has a reasonable probability of imposing liability of $5 million or more against the Bureau or the Water System. Except as noted in the following paragraphs, there is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the Bureau or the Water System.

On December 6, 2011, the City received a complaint in *Anderson et al. v. City of Portland*, Multnomah County Circuit Court case No. 1112-15957. The complaint challenges certain expenditures by the Bureau and the Bureau of Environmental Services and asks for an order requiring the City to reimburse the Water Fund and Sewage Disposal Fund for those expenditures. The complaint does not allege the amount in dispute or the source of the reimbursement. The City estimates that if plaintiffs prevailed on all claims and a court ordered the relief requested, the reimbursement amount could exceed $50 million. The City

has not identified potential sources of any court-ordered reimbursement, but such sources could include any legally available resources of the City, including the General Fund. The City will vigorously defend the lawsuit and believes that it is unlikely that the plaintiffs will prevail on the majority of the claims alleged. Motions by both parties have been filed with Multnomah County Circuit Court. The first summary judgment hearing will be heard by the court in February 2014.

A recent court ruling, *NWEA v. EPA*, (U.S. D.C. Oregon, No. 05-1876, Opinion and Order, Feb. 28, 2012), declared that certain Oregon water temperature rules related to the protection of cold water fish, such as salmon and steelhead violate the federal Clean Water Act. The City previously received approval from the Oregon Department of Environmental Quality for its Bull Run water supply operations under the challenged rules. When replacement rules are promulgated, the Department of Environmental Quality may ask the City to review its operations in light of the new rules. Without knowing the exact nature of the new rules, it is difficult to gauge the ultimate outcome of such a review. Nonetheless, it seems likely that the standards will be tightened in some degree. In that case, the City may have to conduct additional analysis or further alter its operations to meet new requirements, both of which would impose additional costs on the Water System.

In December 2000, Portland Harbor was listed as a federal Superfund site and the City of Portland received General Notice Letters from the U.S. Environmental Protection Agency stating that the City may have liability for releases of hazardous substances, pollutants or contaminants in the Willamette River. The City may also have liabilities to Natural Resource Trustees of the Willamette River (including federal, state and tribal resource agencies) for damages to natural resources in Portland Harbor. The EPA has not selected a cleanup remedy for the site and the costs associated with the remedy have not been allocated among the numerous potentially liable parties. The Natural Resource Trustees have not determined the total damages to natural resources and those costs have not been allocated among the numerous potentially liable parties. The City believes that an estimate of maximum City exposure of the Portland Harbor cleanup cannot be made at this time. The City will defend against a significant allocation of liability to the City. The City has not identified potential sources of funding for costs allocated to the City, but such sources could include resources of the Bureau.

APPENDIX
AUDITED FINANCIAL STATEMENTS

INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2009, 2010, 2011, 2012 and 2013. Copies of these financial statements containing the reports of the independent certified public accountants are available on the City's website at:

http://www.portlandoregon.gov/bfs/26053

The following pages in this Appendix A are excerpted from the City's Comprehensive Annual Financial Reports of the City for Fiscal Years ending June 30, 2009 through June 30, 2013. The Notes that follow the tabular data have been prepared by the City and have not been reviewed by the independent auditor.

A CONSENT OF THE INDEPENDENT AUDITOR WAS NOT REQUESTED. THE AUDITOR WAS NOT REQUESTED TO PERFORM AND HAS NOT PERFORMED ANY SERVICE IN CONNECTION WITH THIS DISCLOSURE DOCUMENT AND IS THEREFORE NOT ASSOCIATED WITH THIS DISCLOSURE DOCUMENT.

CITY OF PORTLAND, OREGON
Water Fund
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Years Ended June 30

	2009	2010	2011	2012	2013
Operating revenues:					
Service charges and fees	$ 101,383,963	$ 111,729,058	$ 116,880,716	$ 130,441,210	$ 142,083,067
Service charges and fees provided internally	-	-	-	-	3,776,243
Rents and reimbursements	-	573,540	-	-	-
Miscellaneous	344,630	399,504	550,292	469,928	1,655,039
Total operating revenues	101,728,593	112,702,102	117,431,008	130,911,138	147,514,349
Operating expenses:					
Salaries and wages	35,779,508	34,821,290	36,384,329	38,308,147	35,947,904
Operating supplies	3,738,907	2,827,294	3,158,064	3,228,096	3,036,208
Professional services	19,163,084	14,253,033	10,180,743	18,406,542	1,141,427
Services and materials provided internally	-	-	-	-	16,047,159
Utilities	2,003,828	2,262,663	2,350,643	2,038,069	1,705,957
Miscellaneous	1,215,312	10,864,140	11,146,714	4,304,743	6,762,736
Utility license fees	4,275,133	4,339,850	4,525,967	4,279,884	5,356,663
Depreciation expense	20,672,524	20,129,384	21,050,971	22,290,243	22,804,040
Total operating expenses	86,848,296	89,497,654	88,797,431	92,855,724	92,802,094
Operating income (loss)	14,880,297	23,204,448	28,633,577	38,055,414	54,712,255
Nonoperating revenues (expenses):					
Gain (loss) on sale of capital assets	(269,881)	(331,230)	(373,494)	(697,064)	(2,166,229)
Investment earnings	3,039,569	189,392	1,320,366	541,346	273,524
Interest expense	(11,143,410)	(10,979,221)	(14,667,846)	(15,255,913)	(24,028,638)
Debt issuance costs	(232,315)	(268,832)	(470,741)	-	(1,385,515)
Miscellaneous	(410,659)	-	569,635	585,623	(316,023)
Total nonoperating revenues (expenses)	(9,016,696)	(11,389,891)	(13,622,080)	(14,826,008)	(27,622,881)
Income (loss) before contributions and transfers	5,863,601	11,814,557	15,011,497	23,229,406	27,089,374
Transfers in	450,000	50,630	101,478	140,008	159,692
Transfers out	(582,291)	(523,241)	(466,889)	(487,823)	(462,762)
Capital contributions	599,567	-	2,990,277	784,017	536,303
Income before special item	6,330,877	11,341,946	17,636,363	23,665,608	27,322,607
Special item:					
Capital asset write-off	-	-	-	(16,855,522)	-
Change in net assets	6,330,877	11,341,946	17,636,363	6,810,086	27,322,607
Total net assets -- beginning	388,273,960	394,604,837	405,946,783	423,583,146	430,393,232
Total net assets -- ending	$ 394,604,837	$ 405,946,783	$ 423,583,146	$ 430,393,232	$ 457,715,839

Source: City of Portland. Audited financial statements.

CITY OF PORTLAND, OREGON
Water Fund
Statement of Net Assets
As of June 30

	2009	2010	2011	2012	2013
ASSETS					
Current assets (unrestricted):					
Cash and investments	$ 42,142,347	$ 39,584,067	$ 48,790,800	$ 64,626,887	$ 67,487,424
Receivables					
Accounts, net	12,996,974	14,201,799	16,228,558	18,632,057	21,779,118
Assessments	109,311	102,448	124,581	210,364	197,076
Advances	-	-	-	2,804,400	307,848
Accrued interest	682,004	335,572	432,984	316,392	294,317
Due from other funds	1,591,867	1,286,623	380,883	380,883	8,175
Inventories	2,234,189	2,164,577	2,143,957	1,560,613	1,800,457
Prepaid expenses	421,535	415,664	-	-	-
Total current assets (unrestricted)	60,178,227	58,090,750	68,101,763	88,531,596	91,874,415
Current assets (restricted):					
Cash and investments	6,912,957	4,188,568	5,241,008	-	10,758,095
Total current assets (restricted)	6,912,957	4,188,568	5,241,008	-	10,758,095
Total current assets	67,091,184	62,279,318	73,342,771	88,531,596	102,632,510
Noncurrent assets (unrestricted):					
Capital assets, not being depreciated or amortized:					
Land	17,007,946	15,075,102	15,075,220	15,120,632	16,860,555
Construction in progress	85,678,528	90,420,139	89,146,868	120,727,125	202,876,706
Intangible assets:					
Land use rights	72,306	2,302,607	2,315,561	2,315,561	2,594,272
Capital assets, being depreciated or amortized:					
Infrastructure	740,960,777	794,980,942	854,794,631	874,286,315	908,277,438
Buildings	27,063,028	34,008,654	35,484,591	37,283,939	34,372,090
Improvements to land	3,771,553	3,949,729	10,631,768	14,392,055	14,516,957
Machinery and equipment	29,984,461	27,847,600	28,102,876	28,870,122	29,938,384
Intangible assets:					
Land use rights	-	-	-	-	299,681
Owning rights	-	-	10,776	10,776	10,776
Software	-	2,714,181	2,818,986	1,410,027	2,691,595
Capitalized leases	-	-	-	-	-
Accumulated depreciation and amortization	(288,989,287)	(307,871,178)	(325,289,035)	(337,264,984)	(343,009,215)
Capital assets net of accumulated depreciation and amortization	615,549,312	663,427,776	713,092,242	757,151,568	869,429,239
Receivables:					
Assessments	-	-	-	51,626	183,540
Pre-paid pension obligation	23,838,143	22,670,560	21,502,977	20,335,394	19,167,811
Total non-current assets (unrestricted)	639,387,455	686,098,336	734,595,219	777,538,588	888,780,590
Noncurrent assets (restricted):					
Cash and investments:	20,518,173	45,593,821	76,748,157	15,884,413	163,417,795
Total non-current assets	659,905,628	731,692,157	811,343,376	793,423,001	1,052,198,385
Total assets	726,996,812	793,971,475	884,686,147	881,954,597	1,154,830,895

CITY OF PORTLAND, OREGON
Water Fund
Statement of Net Assets (continued)
As of June 30

	2009	2010	2011	2012	2013
LIABILITIES					
Current liabilites (payable from unrestricted assets):					
Accounts payable	3,572,072	5,671,532	3,925,850	14,518,808	4,764,457
Compensated absences	2,830,726	2,846,782	3,203,526	3,544,030	3,801,472
Unearned revenue	232,363	238,938	199,511	244,142	233,659
Bonds payable	12,591,336	15,066,994	15,788,553	16,897,751	26,829,194
Notes anf loans payable	-	-	-	282,195	-
Accrued interest payable - current	2,927,529	3,836,408	4,041,439	3,505,602	4,623,779
Pollution remediation	-	-	-	-	239,500
Other liabilities - current	676,218	336,881	239,166	39,753	-
Total current liabilities (unrestricted)	22,830,244	27,997,535	27,398,045	39,032,281	40,492,061
Current liabilities (payable from restricted assets):					
Accounts payable	6,912,957	4,188,568	5,241,008	-	10,758,095
Total current liabilities (restricted)	6,912,957	4,188,568	5,241,008	-	10,758,095
Total current liabilities	29,743,201	32,186,103	32,639,053	39,032,281	51,250,156
Noncurrent liabilities:					
Compensated absences	1,974,573	966,468	720,992	622,685	388,603
Bonds payable	295,683,735	348,863,029	419,608,747	402,710,996	634,977,346
Accrued interest payable	4,107,369	4,898,411	6,731,234	7,649,316	8,641,584
Other postemployment benefits	883,097	1,110,681	1,402,975	1,546,087	1,704,867
Pollution remediation	-	-	-	-	152,500
Total noncurrent liabilities	302,648,774	355,838,589	428,463,948	412,529,084	645,864,900
Total liabilities	332,391,975	388,024,692	461,103,001	451,561,365	697,115,056
NET ASSETS					
Invested in capital assets, net of related debt	340,751,468	332,118,644	386,042,325	383,545,046	400,049,174
Restricted for debt service	5,398,600	10,224,969	-	-	-
Unrestricted	48,454,769	63,603,170	37,540,821	46,848,186	57,666,665
Total net assets	$ 394,604,837	$ 405,946,783	$ 423,583,146	$ 430,393,232	$ 457,715,839

Source: City of Portland. Audited financial statements.

CITY OF PORTLAND, OREGON
Water Fund
Statement of Cash Flows
For Fiscal Years Ended June 30

	2009	2010	2011	2012	2013
CASH FLOWS FROM OPERATING ACTIVITY					
Receipts from customers and users	$ 98,505,064	$ 107,703,270	$ 112,611,576	$ 122,371,813	$ 142,806,316
Receipts from interfund services provided	5,331,456	4,025,014	4,004,508	3,101,363	4,148,951
Payments to suppliers	(14,629,903)	(13,645,889)	(11,052,326)	(2,152,285)	(8,260,343)
Payments to employees	(33,992,102)	(34,418,172)	(34,813,184)	(36,755,255)	(34,598,181)
Payments for interfund services used	(18,656,197)	(21,789,170)	(21,119,569)	(24,324,537)	(24,684,143)
Other receipts (payments)	-	86,971	87,436	678,277	400,350
Net cash provided by operating activities	36,558,318	41,962,024	49,718,441	62,919,376	79,812,950
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Other noncapital increases	756,922	-	-	-	-
Other noncapital decreases	-	-	-	-	-
Transfers in	450,000	50,630	49,374	140,008	159,692
Transfers out	(582,291)	(523,241)	(408,987)	(486,037)	(462,762)
Net cash provided (used) by noncapital financing activities	624,631	(472,611)	(359,613)	(346,029)	(303,070)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of bonds and notes	79,680,000	73,440,000	86,534,272	282,195	330,292,336
Premium on bonds and notes issued	952,459	1,951,293	-	-	37,517,171
Sale of capital assets	295,731	170,864	207,661	362,967	1,040,220
Acquisiton of capital assets	(71,478,950)	(68,509,942)	(68,312,114)	(83,482,890)	(138,305,575)
Principal paid on bonds, notes and capital leases	(10,252,410)	(19,171,336)	(14,381,665)	(14,919,219)	(124,930,858)
Interest paid on bonds, notes and capital leases	(10,504,571)	(9,844,305)	(13,315,321)	(15,743,004)	(22,881,244)
Bond issuance costs	(232,315)	(268,832)	(470,741)	-	(1,385,515)
Net cash provided (used) by capital related financing activities	(11,540,056)	(22,232,258)	(9,737,908)	(113,499,951)	81,346,535
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	2,643,663	535,824	1,222,954	657,939	295,599
Net increase (decrease) in cash and cash equivalents	28,286,556	19,792,979	40,843,874	(50,268,665)	161,152,014
CASH AND CASH EQUIVALENTS July 1, Prior Year	41,286,921	69,573,477	89,366,456	130,779,965	80,511,300
CASH AND CASH EQUIVALENTS June 30, Current Year	$ 69,573,477	$ 89,366,456	$ 130,210,330	$ 80,511,300	$ 241,663,314
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets:					
Unrestricted cash and cash equivalents	$ 42,142,347	$ 39,584,067	$ 48,790,800	$ 64,626,887	$ 67,487,424
Restricted cash and cash equivalents	27,431,130	49,782,389	81,989,165	15,884,413	174,175,890
Total	$ 69,573,477	$ 89,366,456	$ 130,779,965	$ 80,511,300	$ 241,663,314

CITY OF PORTLAND, OREGON
Water Fund
Statement of Cash Flows (continued)
For Fiscal Years Ended June 30

	2009	2010	2011	2012	2013
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	$ 14,880,297	$ 23,204,448	$ 28,633,577	$ 38,055,414	$ 54,712,255
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization of capital assets	20,672,524	20,129,384	21,050,971	22,290,243	22,804,040
Provision for uncollectible accounts	1,039,138	1,029,366	887,159	845,671	735,006
Nonoperating revenue	-	-	-	585,623	237,696
Accounts and contracts receivable	(2,347,070)	(1,053,874)	(1,352,804)	(5,023,396)	(336,559)
Inventories	(262,216)	69,612	20,620	583,344	(239,844)
Checks and accounts payable	1,020,119	(624,929)	(693,242)	5,351,950	1,003,744
Compensated absences	1,356,361	(992,049)	111,268	242,197	23,360
Due from (to) other funds	3,560,792	305,244	905,740	-	372,708
Other assets	(421,535)	-	-	-	-
Unearned revenue	56,102	6,575	(39,427)	44,631	(10,483)
Other liabilities	(3,427,239)	(339,337)	(97,715)	(199,413)	(39,753)
Pollution remediation	-	-	-	-	392,000
Accrued other postemployment benefits	431,045	227,584	292,294	143,112	158,780
Net cash provided by operating activities	$ 36,558,318	$ 41,962,024	$ 49,718,441	$ 62,919,376	$ 79,812,950
Noncash information					
Non-operating prepaid PERS amortization	1,167,583	1,167,583	(1,167,583)	(1,167,583)	(1,167,583)
Capital contribution	599,567	-	2,990,277	784,017	536,303
Special item	-	-	-	(16,855,522)	-
Increase in fair value of investments (classified as cash equivalents)	419,100	(760,626)	670,088	(177,859)	(470,507)

Source: City of Portland. Audited financial statements.

CITY OF PORTLAND, OREGON

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