ANNUAL DISCLOSURE INFORMATION

Pertaining to

City of Portland, Oregon

First Lien Sewer System Revenue & Refunding Bonds:

$333,015,000	**2008 Series A**	**Dated April 17, 2008**
$86,165,000	**2014 Series A**	**Dated August 14, 2014**
$329,805,000	**2015 Series A**	**Dated August 27, 2015**

Second Lien Sewer System Revenue & Refunding Bonds:

$195,700,000	**2008 Series B**	**Dated April 17, 2008**
$407,850,000	**2010 Series A**	**Dated August 19, 2010**
$210,965,000	**2013 Series A**	**Dated September 17, 2013**
$204,220,000	**2014 Series B**	**Dated August 14, 2014**
$63,300,000	**2015 Series B**	**Dated August 27, 2015**

January 15, 2016

MATURITY SCHEDULES − FIRST LIEN BONDS:

$333,015,000*
FIRST LIEN SEWER SYSTEM REVENUE AND REFUNDING BONDS, 2008 SERIES A
DATED APRIL 17, 2008

Due June 15	Principal Amount	Interest Rate	CUSIP 736742
2016	$14,305,000	5.00%	QF7
2017	15,010,000	5.00%	QG5
2018	58,060,000	5.00%	QH3
2019	7,940,000	4.25%	QJ9
2020	8,275,000	4.25%	QK6
2021	8,630,000	4.25%	QL4
2022	8,995,000	4.50%	QM2
2023	9,400,000	4.50%	QN0
2024	9,820,000	4.75%	QP5
2025	10,290,000	4.75%	QQ3
2026	10,780,000	4.75%	QR1
2027	11,290,000	4.75%	QS9
2028	11,825,000	4.75%	QT7
2029	12,385,000	4.75%	QU4
2030	12,975,000	4.75%	QV2
**			
2033	42,740,000	4.75%	QY6
	$252,720,000		

$86,165,000*
FIRST LIEN SEWER SYSTEM REVENUE REFUNDING BONDS 2014 SERIES A

Due October 1	Principal Amount	Interest Rate	CUSIP 736742
2016	$7,160,000	5.00%	UV7
2017	7,525,000	5.00%	UW5
2018	7,915,000	5.00%	UX3
2019	8,320,000	5.00%	UY1
2020	8,745,000	5.00%	UZ8
2021	9,190,000	5.00%	VA2
2022	9,670,000	5.00%	VB0
2023	10,155,000	5.00%	VC8
2024	10,680,000	5.00%	VD6
	$79,360,000		

* Original par amount

MATURITY SCHEDULES − FIRST LIEN BONDS (continued):

$329,805,000*
FIRST LIEN SEWER SYSTEM REVENUE REFUNDING BONDS
2015 SERIES A

Due June 1	Principal Amount	Interest Rate	CUSIP 736742
2016	$44,415,000	5.00%	WF0
2017	46,470,000	5.00%	WG8
2018	7,340,000	5.00%	WH6
2019	52,450,000	5.00%	WJ2
2020	55,075,000	5.00%	WK9
2021	47,000,000	5.00%	WL7
2022	*	*	
2023	*	*	
2024	8,185,000	5.00%	WM5
2025	8,600,000	5.00%	WN3
2026	9,030,000	5.00%	WP8
2027	9,475,000	3.00%	WQ6
2028	9,765,000	5.00%	WR4
2029	10,250,000	4.00%	WS2
2030	10,665,000	4.00%	WT0
2031	11,085,000	4.00%	WU7
	$329,805,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS:

$195,700,000*
SECOND LIEN SEWER SYSTEM REVENUE AND REFUNDING BONDS,
2008 SERIES B
DATED APRIL 17, 2008

Due June 15	Principal Amount	Interest Rate	CUSIP 736742
2016	$1,790,000	5.00%	RG4
2017	1,880,000	5.00%	RH2
2018	1,975,000	5.00%	RJ8
2019	7,445,000	5.00%	RK5
2020	6,930,000	5.00%	RL3
2021	7,625,000	5.00%	RM1
2022	60,900,000	5.00%	RN9
2023	63,970,000	5.00%	RP4
2024	2,645,000	5.00%	RQ2
2025	2,780,000	5.00%	RR0
2026	2,920,000	5.00%	RS8
**			
2028	6,280,000	5.00%	RU3
**			
2030	6,920,000	5.00%	RW9
**			
2033	11,740,000	5.00%	RZ2
	$185,800,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS (continued):

$407,850,000*
SECOND LIEN SEWER SYSTEM REVENUE BONDS,
2010 SERIES A
DATED AUGUST 19, 2010

Due March 1	Principal Amount	Interest Rate	CUSIP 736742
2016	$10,960,000	5.00%	SX6
2017	11,510,000	5.00%	SY4
2018	12,090,000	5.00%	SZ1
2019	12,690,000	5.00%	TA5
2020	13,330,000	5.00%	TB3
2021	13,990,000	4.00%	TC1
2022	14,550,000	4.00%	TD9
2023	15,140,000	4.00%	TE7
2024	15,740,000	4.25%	TF4
2025	16,410,000	4.25%	TG2
2026	17,110,000	5.00%	TH0
2027	17,960,000	5.00%	TJ6
2028	18,860,000	5.00%	TK3
2029	19,800,000	5.00%	TL1
2030	20,790,000	5.00%	TM9
2031	21,830,000	5.00%	TN7
2032	22,930,000	5.00%	TP2
2033	24,070,000	5.00%	TQ0
2034	25,270,000	5.00%	TR8
2035	26,540,000	5.00%	TS6
	$351,570,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS (continued):

$210,965,000*
SECOND LIEN SEWER SYSTEM REVENUE BONDS,
2013 SERIES A
DATED SEPTEMBER 17, 2013

Due August 1	Principal Amount	Interest Rate	CUSIP 736742
2016	$6,430,000	5.00%	TV9
2017	6,765,000	5.00%	TW7
2018	7,105,000	5.00%	TX5
2019	7,470,000	5.00%	TY3
2020	7,860,000	5.00%	TZ0
2021	8,260,000	5.00%	UA3
2022	8,685,000	5.00%	UB1
2023	13,250,000	5.00%	UC9
2024	6,190,000	5.00%	UD7
2025	6,510,000	5.00%	UE5
2026	6,840,000	5.00%	UF2
2027	7,160,000	4.00%	UG0
2028	7,450,000	4.00%	UH8
2029	7,795,000	5.00%	UJ4
2030	8,195,000	5.00%	UK1
2031	8,615,000	5.00%	UL9
2032	9,055,000	5.00%	UM7
2033	9,520,000	5.00%	UN5
2034	10,010,000	5.00%	UP0
2035	10,525,000	5.00%	UQ8
2036	11,060,000	5.00%	UR6
2037	11,630,000	5.00%	US4
2038	12,225,000	5.00%	UT2
	$198,605,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS (continued):

$204,220,000*
SECOND LIEN SEWER SYSTEM REVENUE BONDS
2014 SERIES B

Due October 1	Principal Amount	Interest Rate	CUSIP 736742
2016	$4,690,000	5.00%	VF1
2017	4,930,000	5.00%	VG9
2018	5,185,000	5.00%	VH7
2019	5,450,000	5.00%	VJ3
2020	5,730,000	5.00%	VK0
2021	6,025,000	5.00%	VL8
2022	6,330,000	5.00%	VM6
2023	6,655,000	5.00%	VN4
2024	7,000,000	5.00%	VP9
2025	7,355,000	5.00%	VQ7
2026	7,735,000	5.00%	VR5
2027	8,050,000	3.00%	VS3
2028	8,295,000	3.00%	VT1
2029	8,590,000	4.00%	VU8
2030	8,940,000	4.00%	VV6
2031	9,305,000	4.00%	VW4
2032	9,685,000	4.00%	VX2
2033	10,080,000	4.00%	VY0
2034	10,490,000	4.00%	VZ7
2035	10,920,000	4.00%	WA1
2036	11,365,000	4.00%	WB9
2037	11,830,000	4.00%	WC7
2038	12,310,000	4.00%	WD5
2039	12,815,000	4.00%	WE3
	$199,760,000		

* Original par amount

MATURITY SCHEDULES − SECOND LIEN BONDS (continued):

$63,300,000*
SECOND LIEN SEWER SYSTEM REVENUE REFUNDING BONDS
2015 SERIES B

Due June 1	Principal Amount	Interest Rate	CUSIP 736742
2016	$3,745,000	5.00%	WV5
2017	3,260,000	5.00%	WW3
2018	3,420,000	5.00%	WX1
2019	3,590,000	5.00%	WY9
2020	3,770,000	5.00%	WZ6
2021	3,450,000	5.00%	XA0
2022	1,000,000	5.00%	XB8
2023	1,000,000	5.00%	XC6
2024	4,230,000	5.00%	XD4
2025	4,445,000	5.00%	XE2
2026	4,665,000	5.00%	XF9
2027	4,895,000	5.00%	XG7
2028	5,145,000	5.00%	XH5
2029	5,400,000	3.00%	XJ1
2030	5,560,000	3.00%	XK8
2031	5,725,000	3.00%	XL6
	$63,300,000		

* Original par amount

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ANNUAL DISCLOSURE INFORMATION

Pertaining to:
City of Portland, Oregon

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2010 Series A – Dated August 19, 2010

$210,965,000 Second Lien Sewer System Revenue and Refunding Bonds
2013 Series A – Dated September 17, 2013

$204,220,000 Second Lien Sewer System Revenue Bonds
2014 Series B – Dated August 14, 2014

$63,300,000 Second Lien Sewer System Revenue Refunding Bonds
2015 Series B – Dated August 27, 2015

Information Updated as of January 15, 2016

SEWER SYSTEM FINANCIAL AND OPERATING INFORMATION

OVERVIEW

This section provides financial and operating information specifically related to the Sewer System. Financial and operating information for the City as a whole is found below under the heading "CITY FINANCIAL AND OPERATING INFORMATION."

FUND ACCOUNTING SYSTEM

The Bureau's financial reporting system is organized into five separate funds. These funds and their financial reporting purposes are described as follows.

Sewer System Operating Fund

The Sewer System Operating Fund provides for the day-to-day operation, maintenance and management of Bureau programs. All payments for Sewer System personnel, materials and services are made within the Sewer System Operating Fund, with reimbursement from the Sewer System Construction Fund (described below) for capital improvements.

Sewer System Construction Fund

The Sewer System Construction Fund provides for the funding of Sewer System capital improvements, holding equity contributions and net bond proceeds until requested by the Sewer System Operating Fund for reimbursements of certain capital-related expenditures.

Sewer System Debt Redemption Fund

The Sewer System Debt Redemption Fund is a single fund that provides for payment of City debt incurred in conjunction with construction of Sewage System facilities.

Sewer System Rate Stabilization Fund

The Sewer System Rate Stabilization Fund allows for better financial management by enabling the City to level fluctuations in Sewer System revenues (primarily connection charges) from year to year.

Environmental Remediation Fund

The Environmental Remediation Fund has in the past supported the City's waste disposal site remediation activities and contributes funds to the Portland Harbor Superfund investigation. Beginning FY 2005-06, all expenditures for the Portland Harbor Superfund program occur in this fund, which is funded through Willamette River/Portland Harbor rate revenues. These revenues appear as separate line items in a customer's sewer bill.

For financial reporting purposes, the first four of the above-referenced funds (all except the Environmental Remediation Fund) are included within the Sewage Disposal Fund. The financial statements of the Sewage Disposal Fund and the Environmental Remediation Fund are reported in the Appendix.

HISTORICAL REVENUES AND EXPENDITURES

The City has maintained Sewer System Gross Revenues sufficient to provide for all operating expenditures and debt service, and has met legal debt service coverage requirements. In addition to meeting these requirements, the City's Sewer System Gross Revenues have provided substantial cash to finance the CIP in combination with federal grants and the proceeds of revenue bond sales. Historical results of the Bureau's financial operations are shown in the following table. Audited statements of revenues, expenditures, changes in retained earnings, and the audited balance sheet for the Sewer System Operating Fund are presented in the Appendix.

Table 1
CITY OF PORTLAND, OREGON
Sewer System
Historical Operating Results (1)

Fiscal Year	2010-11	2011-12	2012-13	2013-14	2014-15
(In thousands of dollars)					
GROSS REVENUES					
Operating Revenues:					
Service Charges & Fees	$231,883	$244,059	$259,898	$281,210	$301,376
Wholesale Contracts	3,378	3,727	3,926	3,370	3,519
Other Service Charges & Miscellaneous	6,123	3,800	4,241	3,536	3,658
Total Operating Revenues	241,384	251,586	268,065	288,116	308,553
System Development Charges	5,431	9,138	12,949	17,488	18,949
Interest Earnings	1,981	1,091	571	943	1909
Cash Transfers In -					
Rate Stabilization Fund	29,500	18,585	7,550	0	0
Other Funds	2,095	2,363	3,391	3,587	1,814
TOTAL GROSS REVENUES (2)	$280,391	$282,763	$292,526	$310,134	$331,225
OPERATING EXPENSES (3)					
Personal Services	$40,513	$45,284	$45,650	$45,968	$46,934
Materials and Services	18,195	19,119	21,431	21,944	22,714
Internal Services	31,411	30,748	34,079	32,710	30,440
Capitalized Overhead	-9,932	-9,867	-7,993	-11,317	-10,869
Cash Transfers Out -					
General Fund Overhead	5,449	6,901	7,507	6,965	3,936
Rate Stabilization Fund	0	0	0	21,375	25,250
Other	3,785	1,782	1,629	2,458	2,068
TOTAL OPERATING EXPENSES	$89,421	$93,967	$102,303	$120,103	$120,473
NET REVENUES	$190,970	$188,796	$190,223	$190,031	$210,752
DEBT SERVICE FOR COVERAGE					
First Lien Bonds	$97,804	$97,790	$97,806	$97,786	$95,625
Second Lien Bonds (4)	48,484	49,092	49,075	48,803	66,614
TOTAL DEBT SERVICE	$146,288	$146,882	$146,881	$146,589	$162,239
DEBT SERVICE COVERAGE (5)					
With Rate Stabilization Transfers					
First Lien Bonds	1.95x	1.93x	1.94x	1.94x	2.20x
First and Second Lien Bonds (6)	1.31x	1.29x	1.30x	1.30x	1.30x
Without Rate Stabilization Transfers					
First Lien Bonds	1.65x	1.74x	1.87x	2.16x	2.47x
First and Second Lien Bonds	1.10x	1.16x	1.24x	1.44x	1.45x

Notes:

(1) Totals may not sum due to rounding.
(2) As defined in the Master First Lien Bond Ordinance.
(3) As defined in the Master First Lien Bond Ordinance. Excludes depreciation.
(4) Interest calculated as defined in Master Second Lien Bond Declaration.
(5) The Debt Service Coverage shown may differ slightly than what has been published previously in the City's Comprehensive Annual Financial Reports (CAFR), as the result of corrections to previous calculations. None of the corrections had a significant impact on coverages.
(6) Debt service coverage below the Bureau's planning standard in FY 2011-12 reflects a decision to preserve capacity in the Rate Stabilization Fund against future demand fluctuations.

Source: Bureau of Environmental Services.

USER CHARGE BILLING AND COLLECTION SYSTEM

Ratemaking and Authorization

Section 11-302 of the City Charter authorizes the City Council to fix fees and charges for connection to and use of the Sewer System. Sewer user fees and connection charges are formally reviewed every year by the Bureau. Rates required to support proposed activities and meet all obligations to bondholders under the Ordinance are submitted annually by the Director of the Bureau to the City Council for review and approval. No governmental approval, other than the City Council's, is required. The City Council approved an increase to the average single-family residential bill of approximately 3.6 percent for FY 2015-16 in May 2015. Over the last five fiscal years, average single-family residential bills have increased an average of 5.4 percent annually.

Billings and Collections

Sewer System billings and collection services for retail customers are provided by the City's Water Bureau. Bills sent to customers include separate line items for water and Sewer System services. Retail customers are billed quarterly, bimonthly, and monthly. Billings include separate line items for sewer, stormwater, and water services. There are 5,653 accounts of all types receiving water from the Rockwood Water People's Utility District, or the Lorna Water District. With the exception of 89 quarterly accounts, these are billed bimonthly. (All other single family accounts are billed quarterly.) Since they are not City water customers, meter data must come from the respective water districts. Table 2 below displays the annual average customer counts by class in the recent five-year period.

For delinquent sewer bills of City water customers, the Water Bureau implements service shutoffs on behalf of the Bureau. For accounts known by the acronym "SODNR" or "sewer only- do not read," there is no water shutoff option for collection of delinquent sewer bills for these customers. Based on the number of accounts and the estimated consumption per account, revenues are estimated to total about $4.4 million. Past due balances currently total approximately $3.0 million for this group, or approximately 21.6 percent of total delinquencies. Property liens have been used to enforce payment of delinquent accounts for owner-occupied single family properties in the past.

Wholesale customers are billed at various times during a fiscal year ranging from bi-monthly to quarterly. As of June 30, 2015, no wholesale customer was delinquent with respect to billed charges.

Table 2
CITY OF PORTLAND, OREGON
Sewer System
Historical Number of Customer Accounts by Class (1)

Fiscal Year	2010-11	2011-12	2012-13	2013-14	2014-15
CUSTOMER CLASS					
RESIDENTIAL					
Single Family	150,553	149,107	149,454	149,710	150,098
SODNR(2)	5,243	5,194	5,227	5,248	5,212
Stormwater Only	328	328	328	333	336
Drainage Districts Stormwater Only (3)	--	--	--	666	666
Multifamily					
Monthly	2,039	2,052	2062	2,072	2,090
Quarterly	8,242	8,282	8,360	8,452	8,665
SODNR (2)	306	312	313	315	317
Subtotal	166,711	165,275	165,744	166,796	167,384
COMMERCIAL					
Commercial/Industrial					
Monthly	3,423	3,409	3,411	3,440	3,479
Quarterly	9,891	9,838	9,829	9,837	9,821
SODNR (2)	117	117	124	124	124
Clean Water to Storm	15	15	15	15	15
Stormwater Only					
Monthly	20	18	20	25	26
Quarterly	145	135	127	128	133
Drainage Districts Stormwater Only (3)	--	--	--	29	29
Subtotal	13,611	13,532	13,526	13,598	13,627
Total Accounts	180,322	178,807	179,270	180,394	181,011

Notes:

(1) Table reports annual average customer accounts.
(2) As described in the text above, Sewer Only-Do Not Read accounts receive no City water service.
(3) Prior to FY 2010-11, the Bureau was compensated for stormwater drainage attributable to adjacent Drainage Districts through an intergovernmental agreement. This practice has since been replaced by direct billing of the customers from those Drainage Districts and those accounts are listed as Drainage Districts Stormwater Only.

Source: City of Portland, Bureau of Environmental Services.

Clean River Rewards Program

To reflect the contributions to stormwater management made by individuals who install stormwater facilities on site, the City Council directed the Bureau to develop a discount program for stormwater charges. That program, referred to as the Clean River Rewards Program, was implemented on October 30, 2006. It provides for up to a 35 percent discount on the stormwater portion of the bill for customers who manage all stormwater on-site.

In the nearly eight years since the Clean River Rewards Program was implemented, approximately 35,800 customers have registered for and are receiving discounts on their stormwater bills, approximately 20 percent of the total customer base. Funding is provided by adjusting stormwater rates for all classes of customers upward to offset the revenue reductions from the stormwater discount program.

Low Income Discounts

In May of 1997 the City Council approved an expanded version of an existing low-income assistance program. For FY 2015-16, the bill discount is approximately 44 percent of a typical single-family bill, which lowers sewer bills for eligible residential households by approximately $29.95 per month or $359.40 per year. Funding is provided by adjusting rates for all single-family residential customers upward to offset the revenue reductions from the low-income discount program. Total sewer revenue redistribution from low-income discount rates was $2.75 million for FY 2014-15.

Extra Strength Charges

Prior to 2012, the Bureau monitored and charged about 72 commercial/industrial customers for extra strength sanitary sewage discharges based upon samples taken and laboratory analysis of their sewage discharges. However, as many as 3,400 other customers are believed to have discharge strength significantly higher than the residential or baseline strength. Therefore the cost of treatment for the added loading from these customers historically has been borne by others.

The Bureau has developed a "class average" system of strength-based rates for commercial and industrial customers that will improve both customer equity and pollution prevention incentives. Apart from implementation costs, this is a revenue-neutral program and the $3.9 million collected in FY 2014-15 resulted in lower rates for other customers system-wide. The program also is intended to provide an economic incentive to customers to reduce grease discharges, which is important to the Bureau for both regulatory compliance and reduced maintenance costs.

The Bureau has finalized its administrative rules for the Class Average Extra Strength Program and began implementation on January 1, 2012. As of June 30, 2015, nearly 3,000 Class Average Extra Strength Program accounts have been set up.

Wholesale Rates

The City currently provides contractual services to one major wholesale customer, the City of Lake Oswego, Oregon, and several smaller wholesale customers, including county service districts and portions of two other cities. Each wholesale service contract provides for full cost recovery during the life of the contract. Charges to wholesale customers were approximately $3,519,000 for FY 2014-15, which is approximately 1.1 percent of total System operating revenues.

Table 3
CITY OF PORTLAND, OREGON
Sewer System
Historical Monthly Rates and Charges (1)

Fiscal Year	2011-12	2012-13	2013-14	2014-15	2015-16
CUSTOMER CLASS					
Residential					
Sanitary Volume ($/ccf)	7. 63	8.20	8.75	9.23	9.56
Impervious Area Charge ($/1000 sq. ft.)	9.65	10.18	10.52	10.82	11.22
Average Single-Family Monthly Bill($/account) (2)	56.52	59.57	62.74	65.25	67.60
Commercial					
Sanitary Volume ($/ccf)	7.719	8.181	8.735	9.097	9.428
Cooling (Clean) Water To Storm Sewer ($/ccf)	0.777	0.824	0.883	0.924	0.961
Impervious Area Charge ($/1000 sq. ft.)	10.30	10.77	11.12	11.29	11.69
Extra Strength					
Biochemical Oxygen Demand ($/lb.)	0.583	0.574	0.601	0.622	0.650
Suspended Solids ($/lb.)	0.711	0.696	0.744	0.770	0.804
Capital Charges					
Sanitary System Development Charge ($/EDU)	4,335	4,335	4,551	4,779	5,867
Year-to-Year Percentage Increase Of Avg. Single-Family Monthly Bill (2)	6.0%	5.4%	5.3%	4.0%	3.6%

Notes:

(1) Abbreviations used in the table include the following: "ccf" (hundred cubic feet) and "EDU" (Equivalent Dwelling Units).
(2) Average bills have been restated to reflect average annual billed consumption, which is lower than winter average use.

Source: Bureau of Environmental Services.

Major Retail Users

The following table presents the top users of the Sewer System, as measured by user charges. The charges represent a combination of users' sanitary sewer and stormwater service accounts.

Table 4
CITY OF PORTLAND, OREGON
Sewer System
Largest Bureau Customers (FY 2014-15)

CUSTOMER	Total Sewer Charges	Percentage of Rate Revenues
Port of Portland	$3,298,081	1.11%
Oregon Health and Science University (OHSU)	2,896,629	0.97
Portland Public Schools	2,119,886	0.71
Darigold Inc.	1,921,048	0.64
Precision Castparts	1,886,211	0.63
Siltronic Corp.	1,413,582	0.47
American Property Management	1,238,939	0.42
Portland State University	1,201,323	0.40
Fred Meyer Inc.	1,147,193	0.38
Swan Island Dairy	1,102,834	0.37
Total	$18,160,085	6.09%

Source: City of Portland.

UTILITY LICENSE FEE

The Utility License Fee is paid directly to the City's General Fund for the right to operate a public or private utility within the City. The fee is levied per City Code Chapter 7.14. The Bureau, the Water Bureau, and City-owned golf courses pay this fee along with private utilities such as cable, telephone, gas, and electric.

Currently, the utility license fee is not subject to regulation by State law and may be raised at the discretion of the City Council. The Utility License Fee is subordinated to the payment of debt service on the First Lien Bonds and Second Lien Bonds.

On September 1, 2004, the City Council voted to cap utility license fees for the water and sewer utilities at the FY 2004-05 budgeted levels until those levels represent five percent of retail utility revenues. Consequently, the Bureau's budgeted utility license fee payment remained at $12.8 million from FY 2006-07 until FY 2012-13. After that time, utility license fee payments may grow again, but cannot exceed five percent of utility revenues. In FY 2014-15, the utility license fees payments were $14.9 million.

OUTSTANDING SEWER SYSTEM DEBT

Revenue Bonds

The following table shows outstanding First Lien Bonds, Second Lien Bonds, and Subordinate Obligations as of January 15, 2016.

Table 5
CITY OF PORTLAND, OREGON
Sewer System
Outstanding First Lien Bonds, Second Lien Bonds, and Subordinate Obligations

Issue	Dated	Final Maturity	Original Par Amount	Amount Outstanding
First Lien Bonds:				
2008 Series A Bonds	4/10/2008	6/15/2033	$333,015,000	$252,720,000
2014 Series A Bonds	8/14/2014	10/1/2024	86,165,000	79,360,000
2015 Series A Bonds	8/27/2015	6/1/2031	329,805,000	329,805,000
Subtotal			$748,985,000	$661,885,000
Second Lien Bonds:				
2008 Series B Bonds	4/10/2008	6/15/2033	$195,700,000	$185,800,000
2010 Series A Bonds	8/19/2010	3/15/2035	407,850,000	351,570,000
2013 Series A Bonds	9/17/2013	8/1/2038	210,965,000	198,605,000
2014 Series B Bonds	8/14/2014	10/1/2039	204,220,000	199,760,000
2015 Series B Bonds	8/27/2015	10/1/2039	63,300,000	63,300,000
Subtotal			$1,082,035,000	$999,035,000
Subordinate Obligations:				
SRF Loans	Various	Various	$26,302,393	$15,598,510
Subtotal			$26,302,393	$15,598,510
TOTAL			$1,857,322,393	$1,676,518,510

Source: City of Portland.

The following table shows the Sewer System's annual debt service requirements associated with outstanding First Lien Bonds and Second Lien Bonds.

Table 6
CITY OF PORTLAND, OREGON
SEWER SYSTEM REVENUE BONDS
Annual Debt Service Requirements (1)

Fiscal Year Ending 30-Jun	First Lien Bond Debt Service	Second Lien Bond Debt Service	Total First and Second Lien Bond Debt Service
2016	$97,499,926	$73,965,159	$171,465,085
2017	97,526,175	73,971,075	171,497,250
2018	98,370,050	73,978,200	172,348,250
2019	90,094,050	79,339,325	169,433,375
2020	90,093,225	78,457,825	168,551,050
2021	79,266,163	78,298,575	157,564,738
2022	29,911,013	128,568,350	158,479,363
2023	29,919,738	128,548,850	158,468,588
2024	38,091,113	71,216,750	109,307,863
2025	38,104,538	63,681,675	101,786,213
2026	27,158,763	63,681,625	90,840,388
2027	27,150,213	63,670,875	90,821,088
2028	27,154,688	63,681,550	90,836,238
2029	27,149,750	63,673,175	90,822,925
2030	27,156,463	63,672,325	90,828,788
2031	27,148,550	63,673,425	90,821,975
2032	15,619,625	57,783,775	73,403,400
2033	15,623,463	57,775,225	73,398,688
2034	-	53,461,800	53,461,800
2035	-	53,468,650	53,468,650
2036	-	25,605,075	25,605,075
2037	-	25,599,750	25,599,750
2038	-	25,603,600	25,603,600
2039	-	25,599,425	25,599,425
2040	-	13,071,300	13,071,300
TOTAL	$883,037,501	$1,570,047,359	$2,453,084,860

Notes:

(1) Totals may not sum due to rounding.

Source: City of Portland.

AGM/FSA-INSURED BONDS

The City has purchased financial guaranty insurance policies issued by Financial Security Assurance, Inc. ("FSA") for various issues and maturities of Sewer System Revenue Bonds. In July 2009, Assured Guaranty acquired FSA and the insurer for these bonds is now Assured Guaranty Municipal Corp. ("AGM").

The financial guaranty insurance policies provide for payment of the principal and interest on certain maturities of the City's First Lien Sewer System Revenue and Refunding Bonds, 2008 Series A and First Lien Sewer System Revenue Refunding Bonds, 2014 Series A (collectively, the "First Lien AGM/FSA-Insured Bonds"); and the Second Lien Sewer System Revenue and Refunding Bonds, 2008 Series B (collectively, the "Second Lien AGM/FSA-Insured Bonds").

As of the date of this Annual Disclosure document, the underlying ratings on the First Lien AGM/FSA-Insured Bonds are Aa2/AA by Moody's Investors Service and Standard and Poor's, respectively, which are at or above the AGM ratings of A2/AA. The underlying ratings on the Second Lien AGM/FSA-Insured Bonds are Aa3/AA- by Moody's Investors Service and Standard and Poor's, respectively, which are above and below the corresponding AGM ratings. According to Moody's rating of AGM on January 17, 2013, "Moody's ratings on securities that are guaranteed or "wrapped" by a financial guarantor are generally maintained at a level equal to the higher of the following: a) the rating of the guarantor (if rated at the investment grade level); or b) the published or unpublished underlying rating (and for structured securities, the published or unpublished underlying rating). Moody's approach to rating wrapped transactions is outlined in Moody's special comment entitled 'Assignment of Wrapped Ratings When Financial Guarantor Falls Below Investment Grade' (May, 2008); and Moody's November 10, 2008 announcement entitled 'Moody's Modifies Approach to Rating Structured Finance Securities Wrapped by Financial Guarantors'." According to Standard and Poor's publication titled, '*The Interaction of Bond Insurance and Credit Ratings*', dated August 24, 2009, "When we have assigned a Standard and Poor's underlying ratings ("SPUR"), the issue credit rating on a fully insured bond issue is the higher of the bond insurance provider's rating or the SPUR."

The affected maturities are listed in Table 7 below.

Table 7
CITY OF PORTLAND, OREGON
First Lien AGM/FSA-Insured and Second Lien AGM/FSA-Insured Bonds

First Lien Sewer System Revenue and Refunding Bonds
2008 Series A – Dated April 17, 2008

15-Jun	Amount	Rate	736742
2016	$14,305,000	5.00%	QF7

Table 7 (continued)
CITY OF PORTLAND, OREGON
First Lien AGM/FSA-Insured and Second Lien AGM/FSA-Insured Bonds

Second Lien Sewer System Revenue and Refunding Bonds
2008 Series B– Dated April 17, 2008

Due 15-Jun	Principal Amount	Interest Rate	CUSIP 736742
2016	$1,790,000	5.00%	RG4
2017	1,880,000	5.00%	RH2
2018	1,975,000	5.00%	RJ8
2019	7,445,000	5.00%	RK5
2020	6,930,000	5.00%	RL3
2021	7,625,000	5.00%	RM1
2022	60,900,000	5.00%	RN9
2023	63,970,000	5.00%	RP4

Source: City of Portland.

RESERVE ACCOUNTS, RESERVE EQUIVALENTS AND RESERVE CREDIT FACILITIES

First Lien Bond Reserve Account

The First Lien Bond Reserve Account is a pooled reserve account that secures all currently outstanding First Lien Bonds. The First Lien Bond Reserve Account is fully funded with "First Lien Bond Reserve Equivalents" and contains no cash and investments, as shown in the table below. The First Lien Bond Required Reserve is currently approximately $59.7 million. The current balance in the First Lien Bond Reserve Account, which is the aggregate face amount of First Lien Bond Reserve Equivalents, is approximately $61.1 million.

Table 8
CITY OF PORTLAND, OREGON
First Lien Bond Reserve Account (1)

Series of Bonds Secured	Date of Issue	Maturity Date	Surety Provider	Required Reserve (3)	Surety Face Value	Ratings (4)
2008 Series A	04/17/08	06/15/33	AGM (2)	n/a	18,280,050	A2/AA
2014 Series A	08/14/14	10/01/24	AGM	n/a	11,641,700	A2/AA
2015 Series A	08/27/15	06/01/31	AGM	n/a	31,148,923	A2/AA
Total				$59,740,150	$61,070,673	

Notes:

(1) As of January 15, 2016.

(2) The City purchased Reserve Equivalents from Financial Security Assurance Inc. to fund the First Lien Required Reserve. In July 2009, Assured Guaranty acquired FSA and the surety bond provider for these bonds is now Assured Guaranty Municipal Corp. ("AGM")

(3) The First Lien Bonds are secured by a pooled reserve account.

(4) Ratings for surety providers are from Moody's Investors Service and Standard and Poor's, respectively.

Source: City of Portland.

The City is required to maintain a balance in the First Lien Bond Reserve Account that is equal to the First Lien Bond Required Reserve. The "First Lien Bond Required Reserve" is the lesser of: the maximum annual debt service on all outstanding First Lien Bonds; one hundred twenty-five percent of average annual debt service on all outstanding First Lien Bonds; or ten percent of the proceeds of all outstanding issues of First Lien Bonds (as the term "proceeds" is used in Section 148(d) of the Code).

The First Lien Bond Ordinance provides that the First Lien Bond Reserve Account is deemed to contain the amount available to be paid under First Lien Bond Reserve Equivalents. The City currently believes that it could draw the full face amount under all First Lien Bond Reserve Equivalents shown in Table 8.

Second Lien Bond Reserve Account

The Second Lien Bond Reserve Account consists of subaccounts that secure different Series of Second Lien Bonds. All of the subaccounts are fully funded. The subaccounts in the Second Lien Bond Reserve Account for the Second Lien Sewer System Revenue and Refunding Bonds, 2008 Series B and the Second Lien Sewer System Refunding Bonds, 2015 Series B currently contain the Reserve Credit Facilities shown in the following table. The subaccounts in the Second Lien Bond Reserve Account for the Second Lien Sewer System Revenue Bonds, 2010 Series A, the Second Lien Sewer System Revenue Bonds, 2013 Series A, and the Second Lien Sewer System Revenue Bonds, 2014 Series A contain cash or investments.

Table 9
CITY OF PORTLAND, OREGON
Funding of Second Lien Bond Reserve Subaccounts (1)

Series of Bonds Secured	Date of Issue	Maturity Date	Surety Provider/Cash	Reserve Requirement	Surety Face Value/Cash	Ratings (3)
2008 Series B	04/17/2008	06/15/2033	AGM (2)	17,028,836	17,028,836	A2/AA
2010 Series A	08/19/2010	03/01/2035	Cash	27,870,500	27,870,500	N/A
2013 Series A	09/17/2013	08/01/2038	Cash	17,905,146	17,905,146	N/A
2014 Series B	08/14/2014	10/01/2039	Cash	13,073,050	13,073,050	N/A
2015 Series B	08/27/2015	06/01/2031	AGM	5,904,050	5,904,050	A2/AA
Total				$81,781,582	$81,781,582	

Notes:

(1) As of January 15, 2016.

(2) The City purchased Reserve Credit Facilities from Financial Security Assurance Inc. to fund the Second Lien Bond Reserve Requirement for the 2008 Series B Bonds. In July 2009, Assured Guaranty acquired FSA and the surety bond provider for these bonds is now Assured Guaranty Municipal Corp. ("AGM")

(3) Ratings for surety providers are from Moody's Investors Service and Standard and Poor's, respectively.

Source: City of Portland.

The Master Second Lien Bond Declaration provides that each subaccount in the Second Lien Bond Reserve Account is deemed to contain the amount available to be paid under all Reserve Equivalents that are credited to that subaccount. The City currently believes that the amount available to be paid under each Reserve Equivalent shown in Table 9 is equal to its full face amount.

CITY FINANCIAL AND OPERATING INFORMATION

BASIS OF ACCOUNTING

The governmental fund types are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The economic resources measurement focus and the accrual basis of accounting is used for all proprietary fund and fiduciary fund financial statements. The City's accounting practices conform to Generally Accepted Accounting Principles (GAAP) 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 2014-15.

A complete copy of the City's FY 2014-15 audit is available on the Electronic Municipal Market Access (EMMA) system for municipal securities disclosure established by the MSRB and accessible at http://emma.msrb.org.

FINANCIAL REPORTING AND BUDGETING

Financial Reporting

The City has been awarded the Government Finance Officers Association ("GFOA") Certificate of Achievement for Excellence in Financial Reporting every year since 1982. According to the 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 financial report whose content conforms to program requirements and satisfies both GAAP and applicable legal requirements.

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, in January 2014, the City Council approved a five-year contract with the Citizens' Utility Board of Oregon (the "CUB"), an independent consumer advocacy nonprofit organization, to provide input regarding the City's water and sewer bureaus on behalf of residential customers. The CUB will provide recommendations to the City Council on capital spending, rates, and customer service issues. The CUB participated in the process for preparing the FY 2015-16 budgets of the Water and Environmental Services bureaus including reviewing documents and providing testimony at City Council rate hearings. On June 10, 2015, the City Council approved creation of the Portland Utility Board, a new citizen oversight panel that will replace the Portland Utility Review Board and budget advisory committees for the Portland Water Bureau and Bureau of Environmental Services. The Portland Utility Board will advise City Council regarding operations of the two utility bureaus, including development of bureau budgets and financial plans, capital spending, and rate setting.

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 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, 2015, the expected rate of return used was 0.50 percent. For fiscal year ending June 30, 2016, 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. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance fund. 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.

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 $666,700 for causes of action arising on or after July 1, 2014, and before July 1, 2015. 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 $1,333,300 for causes of action arising on or after July 1, 2014, and before July 1, 2015. For causes of action arising on or after July 1, 2015 and before July 1, 2016, limitations increase to $682,800 for single claimant and $1,365,500 for multiple claimants.

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, 2014, and before July 1, 2015, are as follows: (a) $109,400 for any single claimant and (b) $546,800 to all claimants. For causes of action arising on or after July 1, 2015, and before July 1, 2016, limitations increase to $112,000 for single claimant and $560,000 for multiple claimants.

PENSION PLANS: OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

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-paid contributions (currently, for the City, six percent of salaries and nine 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. Effective January 1, 2016, Tier 1 has an assumed earnings rate guarantee of 7.50 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, 2015, the balance of this reserve was $434 million. As of June 30, 2015, there were 32,542 active plan members, 119,865 inactive plan members currently receiving benefits, 15,847 inactive plan members entitled to but not yet receiving benefits, and 10 inactive members not eligible for refund or retirement, for a total of 168,264 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, 2015, there were 41,275 active members 10,890 inactive plan members currently receiving benefits, 15,400 inactive plan members entitled to but not yet receiving benefits, and 753 inactive members not eligible for refund or retirement, for a total of 68,318 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, 2015, there were 94,773 active members, 1,751 inactive plan members currently receiving benefits, 4,227 inactive plan members entitled to but not yet receiving benefits, and 8,549 inactive members not eligible for refund or retirement, for a total of 109,300 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 current PERS 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"). For a description of

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 were used for the 2012 and 2013 actuarial valuations (the "2013 Board Changes"). At its July 31, 2015, meeting, the PERS Board modified certain methods and assumptions which were to be used for the 2014 valuations and will be used for the 2015 valuations (the "2015 Board Changes"). The following table shows methods and assumptions adopted by the PERS Board, which are the basis for the actuarial valuations.

Table 10
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Actuarial Assumptions and Methods

ASSUMPTION/METHOD	2004-2011 VALUATIONS	2012-2013 VALUATIONS (2013 Board Changes)	2014-2015 VALUATIONS (3) (2015 Board Changes)
Actuarial Cost Method:	Projected Unit Credit	Entry Age Normal	Entry Age Normal
UAL Method: T1/T2 Programs OPSRP	 Level Percentage of Payroll over 20 years (fixed) Level Percentage of Payroll over 16 years (fixed)	 Level Percentage of Payroll over 20 years (fixed) (1) Level Percentage of Payroll over 16 years (fixed)	 Level Percentage of Payroll over 20 years (fixed) (1) Level Percentage of Payroll over 16 years (fixed)
Asset Valuation Method:	Market Value (2)	Market Value (2)	Market Value (2)
Investment Rate of Return:	8.00%	7.75%	7.50%
Payroll Growth Rate:	3.75%	3.75%	3.50%
Inflation Level:	2.75%	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.	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 Pension 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).

(3) At its July 31, 2015, meeting, the PERS Board also made changes to actuarial assumptions including life expectancy and retirement age.

Source: Oregon Public Employees Retirement System.

The PERS actuary released its 2013 valuation for the Statewide PERS System as of December 31, 2013, (the "2013 System Valuation") on September 29, 2014, and its 2014 valuation for the Statewide PERS System as of December 31, 2014, (the "2014 System Valuation") on November 12, 2015. These reports include system-wide actuarial valuations for the T1/T2 Pension Programs and OPSRP.

The PERS actuary released the City's individual 2013 valuation report as of December 31, 2013, (the "2013 City Report") on October 7, 2014, and its individual 2014 valuation report as of December 31, 2014, (the "2014 City Report") on November 17, 2015. 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 based on the City's proportionate share of the total RHIA covered payroll as of the valuation date.

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

Table 11
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 (%)**
2005	$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 (2)	54,784.1	60,405.2	5,621.1	90.7
2013 (2)	60,014.1	62,593.6	2,579.5	95.9
2014 (3)	61,395.1	73,458.9	12,063.8	83.6

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) Reflects savings that were anticipated from the 2013 PERS Bills, but will not be realized because most of the 2013 PERS Bills were invalidated. See "—Recent Developments Related to PERS" below. Also reflects the 2013 Board Changes. See Table 10 above.

(3) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See "—Recent Developments Related to PERS" below. Also reflects 2015 Board Changes. See Table 10 above.

Source: Oregon Public Employees Retirement System.

Table 12
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 (%)
2005	$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 (2)	1,624.8	1,744.3	119.5	93.2
2013 (2)	1,762.8	1,804.7	41.9	97.7
2014 (3)	1,844.1	2,210.1	366.0	83.4

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) Reflects savings that were anticipated from the 2013 PERS Bills, but will not be realized because most of the 2013 PERS Bills were invalidated. See "—Recent Developments Related to PERS" below. Also reflects 2013 Board Changes. See Table 10 above.

(3) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See "—Recent Developments Related to PERS" below. Also reflects 2015 Board Changes. See Table 10 above.

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 13
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
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%
2013	313,291,592	41,882,231	13%
2014	335,113,826	365,964,877	109%

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, 2015, is 37.5 percent public equity, 20 percent private equity, 20 percent debt securities, 12.5 percent real estate, and 10 percent alternative equity.

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

Table 14
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Oregon PERS Investment Returns (1)

Fiscal Year Ending June 30	Net Returns (%)
2006	14.4
2007	18.6
2008	-3.5
2009	-22.2
2010	17.0
2011	22.3
2012	1.6
2013	12.7
2014	16.6
2015	4.3

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 December 30, 2015.

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 15
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Annualized Investment Results (1)

	Annualized		
Periods Ending June 30, 2015	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	4.3%	11.1%	11.2%

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. See Table 10 for a summary of the Rate Collar in effect. Because of the Rate Collar, the PERS Board-approved employer contribution rates for some employers, including the City, are currently less than the actuarially required contribution ("ARC").

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.

The table below shows the City's current employer contribution rates for the 2015-17 biennium that ends on June 30, 2017. The table also shows the City's advisory rates for the 2017-19 biennium that begins on July 1, 2017, as reported in the 2014 City Report. 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. Actual employer contribution rates for the 2017-19 biennium will be based on actuarial valuations as of December 30, 2015, which is expected to be released in late 2016. Milliman estimates that a PERS System-average, uncollared employer contribution rate increase of 8.7 percent of covered payroll due to the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills and the 2015 Board Changes beginning in the 2017-19 biennium would be necessary to begin to recover the increase in the actuarial liability; however, due to the Rate Collar, employer contribution rates will be less than this estimate with increases expected to carry forward into future biennia, assuming future experience is near the current assumptions. See "—Recent Developments Related to PERS" below for a discussion of the 2013 PERS Bills and the Oregon Supreme Court decision and Table 10 for a description of the Rate Collar.

Table 16
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Employer Contribution Rates
Percentage of Covered Payroll (1)

Payrolls Paid	Current Rates 2015-17 (2)	Advisory Rates 2017-19 (3)
T1/T2	12.85%	16.86%
OPSRP General Services	7.00%	9.74%
OPSRP Police and Fire	11.11%	14.54%

Notes:

(1) Does not include contribution rates to fund RHIA. See "OTHER POST-EMPLOYEE RETIREMENT BENEFITS – PERS Program." For FY 2014-15, one percent of the City's covered payroll for the three pension benefit programs was approximately: $1,614,480 for T1/T2 Pension Programs; $1,335,913 for OPSRP general services; and $352,885 for OPSRP police and fire.
(2) Includes adjustments for side accounts and pre-SLGRP liabilities.
(3) Actual employer contribution rates for the 2017-19 biennium will be based on the actuarial valuation as of December 30, 2015 to be released in late 2016.

Source: City of Portland, Oregon Public Employees Retirement System, and 2014 City Report prepared by Milliman.

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.

City Funding Policy

In August 2014, the City Council approved a policy regarding funding of its PERS pension liability. The policy requires the City to make contributions at no less than the rate established by the PERS Board and required by ORS 238.225. 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. Proceeds of the Pension Obligation Bonds were deposited in an account with PERS. Table 17 below shows the debt service paid by the City on its Pension Obligation Bonds.

Total City Pension 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. 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 2014-15, 57.9 percent of the total cash contribution was for the employer share and 42.1 percent was for the employee share. The City made its required contribution for its pension obligation in all years. See "—Employer Contribution Rates and Amounts" above.

Table 17
CITY OF PORTLAND, OREGON
City Contribution to PERS

Fiscal Year Ending June 30	City's Required Cash Contribution to PERS (1)	Debt Service on Pension Obligation Bonds	Total Cash Contribution for Pension Costs
2006	$29,765,118	$14,635,732	$44,400,850
2007	31,172,696	18,990,492	50,163,188
2008	32,779,658	19,839,413	52,619,071
2009	35,326,820	16,059,937	51,386,757
2010	32,598,608	15,223,638	47,822,246
2011	33,622,080	16,413,710	50,035,790
2012	45,229,731	17,738,966	62,968,697
2013	45,278,556	19,432,611	64,711,167
2014	45,868,558	21,128,704	66,997,262
2015	46,969,145	23,204,402	70,173,547

Notes:

(1) Includes City's statutorily required employer contribution for T1/T2 and OPSRP pension program and its pension contribution on behalf of employees. 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 Related to PERS

During the 2013 Legislative Session and the 2013 Special Session the Legislative Assembly enacted Senate Bills 822, 861, and 862 (the "2013 PERS Bills") that were expected to: limit annual benefits cost of living adjustments ("COLAs"), for PERS retirees, eliminate a benefit increase for out-of-state retirees based on Oregon income tax, exclude salary increase given to pay for insurance costs from the final average salary used to calculate pension benefits, and reduce legislators' participation in PERS. The 2013 PERS Bills were expected to reduce the amount of future benefit payments from the Statewide PERS System and reduce the unfunded actuarial liability of the Statewide PERS System by approximately $5 billion.

In addition to legislative actions, in 2013 the PERS Board made other adjustments that were estimated by PERS to increase the unfunded actuarial liability of the Statewide PERS System by approximately $2.5 billion. See Table 10 for a summary of the changes made by the PERS Board.

Several lawsuits were filed challenging the 2013 PERS Bills. On April 30, 2015, the Oregon Supreme Court released its decision in these cases. According to its decision, the Supreme Court invalidated the limits on COLAs (the "COLA Limits") insofar as they apply to benefits that members earned before the effective dates of the 2013 PERS Bills and upheld the elimination of the benefit increase for out-of-state retirees.

As reflected in the 2014 System Valuation and the 2014 City Report, because the COLA Limits were held unconstitutional, a substantial portion of the anticipated savings from the PERS changes that are reflected in the funded status for PERS and the City in the 2013 System Valuation and the 2013 City Valuation, respectively, will not be realized. Additionally, the City anticipates an increase in employer contribution rates beginning in the 2017-19 biennium, as reflected in the advisory rates provided in the 2014 City Report. While the actual impact is not known at this time, the City's financial plan has been updated to incorporate higher growth assumptions for PERS employer rates. The financial plan assumes an increase in PERS rates of approximately four percentage points and OPSRP rates of approximately three percentage points above current rates for FY 2017-18 and FY 2018-19. For FY 2019-20 and FY 2020-21, the financial plan assumes an increase in PERS rates of another four percentage points and in OPSRP rates of another three percentage points.

At its July 31, 2015, Board meeting, the PERS Board adopted revisions to its actuarial assumptions and methods. See "—Employer Asset Valuation and Liabilities" and Table 10 above.

PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT FUND

Overview

The following discussion pertains to the City's Fire and Police Disability, Retirement and Death Benefit Plan (the "FPDR Plan"). The FPDR Plan was established in 1942 to provide disability, retirement and death benefits for sworn members of the City's Bureaus of Fire and Police and their survivors. The FPDR Plan is governed by a Board of Trustees (the "FPDR Board"), composed of the Mayor or Mayor's designee, two active members of the Fire and Police Bureaus and two citizens appointed by the Mayor and confirmed by the City Council. The Fire and Police member trustees are elected by the active members of the Fire Bureau and Police Bureau, respectively. The citizen trustees must have relevant experience in pension or disability matters. The Plan is administered by the Bureau of Fire and Police Disability and Retirement, led by the Fund Administrator.

The FPDR Plan's authority for vesting and benefit provisions is provided by Chapter 5 of the City Charter. Amendments require majority approval of the voters in the City. Ten revisions have been passed by the voters since the creation of the plan. The most recent revision, comprised of eleven different plan amendments, was passed November 6, 2012, and made reforms which 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 nonservice-connected death before retirement from ten years of service to five. City Council may provide by ordinance any additional benefits that the City is required by law to extend to the members and may also change benefits by ordinance to maintain the FPDR Plan's tax-qualified status.

Benefit Programs

The FPDR Plan consists of three tiers, two of which are now closed to new employees. The retirement plans for 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. In addition to retirement benefits for FPDR One and FPDR Two members, the FPDR Plan provides for service-connected, nonservice-connected, and occupational disability benefits for FPDR One, FPDR Two and FPDR Three members. FPDR Plan members do not participate in Social Security and do not receive Social Security benefits for their years of service.

FPDR One. Sworn members of the Police and Fire Bureaus subject to the FPDR Plan as constituted prior to July 1, 1990, are included in the FPDR One tier. All FPDR One members are now retired or receiving long-term disability benefits. Under FPDR One, benefits are provided upon termination of employment on or after attaining age 50 (with 25 or more years of service) or 55 (with 20 years or more of service). Retirement benefits are paid to members at two percent of current top-step pay for a police officer or firefighter for each year of active service (up to 60 percent); therefore, FPDR One members receive postretirement benefit increases equal to increases in current top-step police officer or firefighter pay. As of June 30, 2015, there were 535 members and beneficiaries in FPDR One.

FPDR Two. Sworn members of the Police and Fire Bureaus subject to the FPDR Plan as constituted after June 30, 1990, and first sworn before January 1, 2007, are included in the FPDR Two tier. The FPDR Two provides for the payment of benefits upon termination of employment on or after attaining age 55, or on or after attaining age 50 if the member has 25 or more years of service. Members become 100 percent vested after five years of service. Benefits are paid using a formula tied to years of service and the highest one-year base pay the member received during the final three years of employment. 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. As of June 30, 2015, there were 2,499 members and beneficiaries in FPDR Two.

FPDR Three. Sworn members of the Police and Fire Bureaus hired on or after January 1, 2007, are included in the FPDR Three tier; those sworn on or after January 1, 2013, are included in FPDR Three after six months of service. These participants are part of OPSRP for retirement benefits and are under the FPDR Plan for disability and pre-retirement death benefits, offset by any benefits received on account of disability or death under OPSRP. Retirement benefits for these participants are pre-funded, and the FPDR levy pays the employee and employer portions of the OPSRP contribution. For information regarding OPSRP and the employee and employer contribution rates for OPSRP, see "PENSION PLANS: OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM," above. As of June 30, 2015, there were 422 FPDR Three members.

Funding

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) that is 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 collections from this special property tax levy for the FPDR Plan is less than the amount required for payment of benefits in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and then from other City funds to make up the difference. 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.

Although the City Charter provides the FPDR Plan with dedicated property tax levy authority, the Oregon state constitution caps each property's general government taxes at $10 per $1,000 of Real Market Value. After reaching this point, all levies, including the FPDR levy, are subject to Measure 5 compression to fit within the $10 limit. For this reason it is unlikely that FPDR could collect the full $2.80 per $1,000 of Real Market Value on each property. In FY 2015-16, the tax loss due to Measure 5 compression was $7.4 million, or 5.5 percent of the FPDR tax levy.

Retirement Plan Asset Valuation and Liabilities

The table below shows key assumptions for the most recent valuation of the FPDR Plan. Key actuarial assumptions have changed over time, including a change from Attained Age Normal to Entry Age Normal for retirement benefits with the June 30, 2012, valuation. Mortality and other assumptions are regularly reviewed and updated as needed. Also, the discount rate has changed over time to reflect economic conditions and changes have been made to reflect Governmental Accounting Standards Board standards.

Table 18
CITY OF PORTLAND, OREGON
FPDR Plan -- Actuarial Assumptions and Methods
For the June 30, 2015, Roll-Forward of the June 30, 2014, Valuation

Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	Market Value
Funding Policy	Pay-As-You-Go
Discount Rate	3.80%
Payroll Growth Rate	3.75%

Source: City of Portland Fire and Police Disability and Retirement Fund audited financial statements, June 30, 2015.

Assets generally are not accumulated in the current year to pay for benefit payments in future years. The table below shows funding levels for the FPDR Plan over the past ten fiscal years. In accordance with the Charter's provisions, there are no requirements to fund the FPDR Plan using actuarial techniques. The FPDR Plan is funded on a pay-as-you-go basis. Each year's benefits and expenses are paid for with employer contributions derived from dedicated property tax revenue received during that year. Because of the FPDR Plan's pay-as-you-go funding basis, the unfunded actuarial accrued pension liability and net pension liability (the new terminology per Statement No. 67 of the Government Accounting Standards Board ("GASB 67") implemented by the City effective June 30, 2014), do not reflect the value of dedicated future revenues from the property tax levy. See "—Levy Adequacy" below. As reflected in the City's Comprehensive Annual Financial Report ("CAFR") for its fiscal year ended June 30, 2015, and required by Statement No. 68 of the Government Accounting Standard Board ("GASB 68"), the net pension liability for the FPDR Plan is a primary factor in the City's unrestricted net position deficit for governmental activities for the fiscal year ended June 30, 2015 and contributes to the City's total net position decrease from FY 2013-14 to FY 2014-15. See table entitled "Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)" on page 318 of the City's CAFR for its fiscal year ended June 30, 2015, which is available on EMMA.

Table 19
CITY OF PORTLAND, OREGON
FPDR Plan --Summary of Funding Levels (1)

Fiscal Year	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability (1)	Funded Ratio (2)
2005	$15,121,840	$1,684,457,000	$1,669,335,160	0.90%
2006	15,266,971	1,817,661,000	1,802,394,029	0.84%
2007 (3)	9,884,902	1,919,501,000	1,909,616,098	0.51%
2008	5,377,290	2,217,414,215	2,212,036,925	0.24%
2009 (3)	11,571,074	2,279,923,000	2,268,351,926	0.51%
2010	16,542,896	2,549,479,088	2,532,936,192	0.65%
2011 (3)	25,648,253	2,610,360,794	2,584,712,541	0.98%
2012 (3)	20,287,803	2,674,072,175	2,653,784,372	0.76%

Fiscal Year	Plan Net Position, Ending	Total Pension Liability	Net Pension Liability (2)	Net Position as Percent of Total Liability
2013 (3)	$17,155,015	$2,517,096,534	$2,499,941,519	0.68%
2014 (3)	20,532,924	2,473,970,866	2,453,437,942	0.83%
2015 (3)	21,876,942	2,896,894,767	2,875,017,825	0.76%

Notes:

(1) Table reflects transition to new accounting classifications as required by the Governmental Accounting Standards Board.
(2) Does not include value of future dedicated FPDR property tax collections.
(3) Amounts are calculated by rolling forward prior actual valuations. See Table 20 below for summary of June 30, 2012, and June 30, 2014, valuations.

Source: City of Portland audited financial statements.

Overall the unfunded actuarial liability decreased from $2.88 billion on June 30, 2012, to $2.47 billion on June 30, 2014, as shown in Table 20 below. Note that these valuations differ from results shown in Table 19 above because they are based on actual results prepared by Milliman and are not roll-forward amounts of prior valuations.

Table 20
CITY OF PORTLAND, OREGON
FPDR Plan--Summary of Most Recent Actuarial Valuations

Fiscal Year	Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability
2012	$20,287,803	$2,899,238,902	$2,878,951,099
2014	20,532,924	2,488,261,858	2,467,728,934

Source: Milliman Inc., City of Portland Fire & Police Disability & Retirement (FPDR) Fund, Pension Actuarial Valuation Report as of June 30, 2014, dated January 15, 2015.

To comply with GASB 67, the 2014 valuation used a bond market index rate that was 4.29 percent as of June 30, 2014. The increase in the discount rate from 3.50 percent to 4.29 percent accounted for $274 million of the decreased liability. The FPDR Plan provides that FPDR Two adjustments to the COLA cannot exceed the rate used by PERS for sworn retirees. For the 2014 valuation, these adjustments were based on the PERS COLA as modified by the 2013 PERS Bills, which reduced the liability by $293 million. The

reductions in the liability from the higher discount rate and the 2013 PERS Bills were offset by various increases totaling $157 million, for an overall reduction of $411 million in the actuarial accrued liability between June 30, 2012, and June 30, 2014. However, see "—Recent Developments Related to PERS" and "—Recent Developments Related to the FPDR Fund." For the June 30, 2015, roll-forward of the June 30, 2014, valuation, the discount rate decreased to 3.80 percent, and most of the FPDR Two benefit adjustment savings from the 2013 PERS Bills were invalidated by the Oregon Supreme Court's decision. The result of these two changes is that the total pension liability increased by $423 million.

Levy Adequacy

Since the FPDR Plan is a pay-as-you-go plan funded with a dedicated property tax, the critical measure of its financial health is whether this property tax will ever be insufficient to fully cover plan expenditures. The table below compares the certified tax levy for the FPDR Plan and OPSRP contribution for FPDR Three participants and the amount authorized based on the $2.80/$1,000 Charter limitation. Between FY 2006-07 and FY 2015-16, taxable Real Market Value has grown by a compounded annual rate of approximately 3.9 percent.

Table 21
CITY OF PORTLAND, OREGON
FPDR Fund--Certified Levies Compared with Maximum Levies Authorized

FYE June 30	Tax Levy per $1,000 RMV	Certified Tax Levy (1)	Maximum Levy Authorized ($2.80/1,000 RMV)	Amount Available to be Certified from Authorized Levy
2007	$1.19	$86,550,497	$204,130,325	$117,579,828
2008	1.13	95,365,463	236,014,742	140,649,279
2009	1.23	111,152,436	253,003,644	141,851,208
2010	1.29	114,980,456	249,261,909	134,281,453
2011	1.37	118,526,184	241,849,105	123,322,921
2012	1.41	114,264,711	227,257,618	112,992,907
2013	1.55	123,564,952	223,709,460	100,144,508
2014	1.62	136,383,540	235,325,707	98,942,167
2015	1.48	136,883,230	259,331,341	122,448,111
2016	1.30	133,795,013	287,358,793	153,563,780

Notes:

(1) Before Measure 5 compression, delinquencies and discounts.

Source: City of Portland.

The table below shows historical taxes imposed (after Measure 5 compression) and historical expenditures for retirement benefits and death and disability benefits. As fire and police retirement benefits transition from a pay-as-you-go system to a pre-funded system through OPSRP, the FPDR levy will be funding two generations of FPDR members simultaneously: FPDR One and FPDR Two members who are funded on a pay-as-you-go basis during their retirement years and FPDR Three members whose retirement and death benefits are pre-funded through OPSRP during their working careers. Costs for disability benefits will continue to be paid on a pay-as-you go basis. As described below, higher costs are expected over approximately the next 20 years, with the potential for higher tax levy rates.

Table 22
CITY OF PORTLAND, OREGON
FPDR Fund--Imposed Levies and Expenditures for
Pension Benefits and Death/Disability Benefits

FYE June 30	Imposed Tax Levy (1)	FPDR One & Two Pension Benefits	FPDR Three OPSRP Contributions	Disability & Funeral Benefits	Total FPDR Benefit Contributions
2006	$83,963,419	$68,620,817	$0	$11,098,689	$79,719,506
2007	84,180,663	74,375,304	0	10,849,102	85,224,406
2008	92,819,416	80,718,048	726,748	10,876,351	92,321,147
2009	107,869,880	85,079,520	1,774,991	9,241,784	96,096,295
2010	111,376,678	89,038,110	2,210,250	9,075,988	100,324,348
2011	114,217,070	90,464,611	2,865,737	7,938,636	101,268,984
2012	108,666,428	94,708,986	4,735,637	7,064,187	106,508,810
2013	115,752,880	99,417,595	5,265,815	6,725,710	111,409,120
2014	123,304,615	103,506,696	5,998,321	7,410,977	116,915,994
2015	126,777,805	103,355,638	6,952,685	6,219,646	116,527,969

Notes:

(1) Amount after Measure 5 compression but not adjusted for delinquencies and discounts.

Source: City of Portland.

The FPDR Board assesses the FPDR Plan's long-term financial condition in part by projecting the future availability of revenues from the dedicated property tax (the "Levy Adequacy Analysis"), which are the source of employer contributions under the Charter. The most recent Levy Adequacy Analysis, completed by an independent actuary in connection with the actuarial valuation of the fund, was as of June 30, 2014. The Levy Adequacy Analysis found 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 the levy exceeded the $2.80 threshold in at least one year in approximately four percent of modeled scenarios. The first year in which the percent of scenarios exceeding the levy limit reaches the one percent level is FY 2029-30. Pay-as-you-go costs peak in FY 2035-36 in nominal terms; the peak on an inflation-adjusted basis is in FY 2028-29. With the Oregon Supreme Court decision invalidating portions of the 2013 PERS Bills, pay-as-you-go costs will be higher in the 2016 Levy Adequacy Analysis to be presented in January 2017, with the potential for a higher percentage of scenarios exceeding the levy limit, but Real Market Value growth over 10 percent in each of the two most recent years will at least partially offset increased cost pressure on levy rates. The table below shows projected levy rates and taxes levied at the 50th and 5th percentiles for FY 2014-15 through FY 2033-34.

Table 23
CITY OF PORTLAND, OREGON
FPDR Fund--Projected Levy Rate, Taxes and Requirements (1)

Fiscal Year Ended June 30	Levy Rate at 50th Percentile	Taxes Levied at 50th Percentile	Levy Rate at 5th Percentile	Taxes Levied at 5th Percentile
2015	$1.46	$135,000,000	$1.46	$135,000,000
2016	1.40	138,600,000	1.40	138,600,000
2017	1.39	143,400,000	1.54	144,600,000
2018	1.38	149,200,000	1.63	152,500,000
2019	1.38	155,100,000	1.67	159,000,000
2020	1.38	161,700,000	1.76	171,500,000
2021	1.37	168,500,000	1.80	179,700,000
2022	1.37	176,300,000	1.89	193,700,000
2023	1.37	183,500,000	1.92	203,200,000
2024	1.36	191,400,000	1.99	217,100,000
2025	1.37	200,600,000	2.03	229,200,000
2026	1.37	210,500,000	2.11	245,400,000
2027	1.38	220,700,000	2.16	259,600,000
2028	1.38	230,400,000	2.23	276,700,000
2029	1.38	240,500,000	2.28	291,700,000
2030	1.43	264,000,000	2.46	323,400,000
2031	1.43	275,000,000	2.50	339,400,000
2032	1.41	284,300,000	2.53	357,700,000
2033	1.40	294,600,000	2.55	374,100,000
2034	1.37	302,200,000	2.60	391,700,000

Notes:

(1) Results are expressed as a probability distribution. Amounts shown in table are median values within percentile categories. Actual rates for FY 2014-15 and FY 2015-16 are found in the table entitled "FPDR Fund—Certified Levies Compared with Maximum Levies Authorized."

Source: Milliman, Inc., Levy Adequacy Analysis, June 30, 2014.

The current analysis extends through FY 2033-34 and encompasses all facts, decisions and conditions pertaining to the FPDR Plan known at the time the analysis was completed. Future actuarial measurements may differ significantly from the measurements presented herein due to factors such as changes in economic or demographic assumptions (including changes in Real Market Value); changes related to PERS, performance of investments, and changes in FPDR Plan benefit provisions or applicable law.

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 2013 City Report, the City's allocated share of the RHIA program's UAL was $4,336,291 as of December 31, 2013, and according to the 2014 City Report, the City's allocated share of the RHIA program's UAL was $2,663,682 as of December 31, 2014.

The City's current employer contribution rate to fund RHIA benefits during the 2015-2017 biennium for T1/T2 employees is 0.53 percent and for OPSRP general services and police and fire employees is 0.45 percent. According to the 2014 City Valuation, the advisory rate to fund RHIA benefits during the 2017-19 biennium for T1/T2 employees is 0.50 percent and for OPSRP general services and policy and fire employees is 0.43 percent. These employer contribution rates to fund RHIA are not reflected in the rates described in Table 18 above.

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 two to 8.5 percent for health insurance, negative ten to five percent for dental insurance, and 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, 2013 (the date of the most recent actuarial valuation), is estimated to be $105,266,428. The unfunded actuarial accrued liability as a percentage of covered payroll is 30 percent. 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, 2015.

The City's annual OPEB cost is calculated based on the actuarially-determined ARC, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liability over a period of 30 years. For FY 2014-15, the amount to be recognized as the annual employer OPEB cost was $8,542,920. For fiscal year ended June 30, 2015, the City benefits paid on behalf of retirees exceeded the premiums they paid by $2,959,979. The City elected to not pre-fund the FY 2014-15 annual OPEB cost. The amount unfunded in FY 2014-15 is $42,044,666, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2014-15 along with interest on the net OPEB obligation and adjustments, less payments made in relation to the FY 2014-15 net OPEB obligation. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and OPEB obligation, 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 Sewer 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 Sewer 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 Sewer 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 City's Water Bureau and 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 is currently investigating the claims. Based on current incomplete information, 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 City's General Fund. The City is vigorously defending the lawsuit and believes that it is unlikely that the plaintiffs will prevail on the majority of the claims alleged.

In December 2000, Portland Harbor was listed as a federal Superfund site and the City received General Notice Letters from the U.S. Environmental Protection Agency ("EPA") 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 any legally available resources of the City, including the City's General Fund.

APPENDIX
EXCERPTS FROM 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 2011, 2012, 2013, 2014 and 2015. 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, 2011 through June 30, 2015. Any 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
SEWAGE DISPOSAL FUND
STATEMENT OF NET POSITION
As of June 30

	2011	2012	2013	2014	2015
ASSETS					
Current assets (unrestricted):					
Cash and investments	$ 42,679,782	$ 31,939,279	$ 26,876,179	$ 50,475,180	$ 93,893,296
Receivables					
Accounts, net	39,820,839	44,453,631	48,499,600	49,471,836	53,959,205
Assessments	3,847,378	585,357	700,046	902,694	1,256,515
Notes and loans, net	-	-	-	-	83,232
Advances	-	-	-	-	-
Accrued interest	1,045,815	347,510	153,460	230,548	672,838
Due from other funds	21,013	21,013	-	83,232	-
Due from component unit	75,000	5,000	-	-	-
Internal loans	16,700,000	-	-	-	-
Inventories	1,291,697	1,335,900	1,362,289	-	1,623,555
Prepaid expenses	757,176	-	-	1,527,400	-
				-	-
Total current assets (unrestricted)	106,238,700	78,687,690	77,591,574	102,690,890	151,488,641
				-	-
Current assets (restricted)					
Cash and investments	13,428,254	1,085,641	-	9,901,365	8,535,806
Total current assets (restricted)	13,428,254	1,085,641	-	9,901,365	8,535,806
Total current assets	119,666,954	79,773,331	77,591,574	112,592,255	160,024,447
				-	-
Noncurrent assets (unrestricted):					
Capital assets, not being depreciated or amortized:					
Land	54,565,230	62,091,165	67,271,989	69,112,316	73,316,928
Construction in progress	800,494,115	142,267,439	143,972,297	164,129,220	157,060,654
Intangible assets:	11,988,421	12,122,209	13,733,820	14,135,856	10,960,297
Capital assets, being depreciated or amortized:					
Buildings	19,853,751	19,853,751	19,853,751	32,688,308	33,010,333
Improvements to land	1,292,826	1,292,824	1,292,824	1,292,824	1,753,470
Equipment	22,884,843	27,104,061	27,708,229	27,321,346	27,076,695
Intangible assets:	8,594,081	9,710,018	8,716,383	8,631,572	8,571,730
Infrastructure	2,241,748,831	3,031,438,190	3,123,451,365	3,203,922,370	3,313,993,288
Capitalized leases	-	-	-	-	-
Accumulated depreciation and amortization	(323,209,523)	(351,363,155)	(387,944,082)	(427,486,282)	(469,842,639)
				-	-
Capital assets net of accumulated depreciation and amortization	2,838,212,575	2,954,516,502	3,018,056,576	3,093,747,530	3,155,900,756
Receivables:					
Internal loan	-	-	-	-	-
Assessments	-	3,538,231	3,576,109	3,193,985	4,105,469
Pre-paid pension obligation	20,703,641	19,579,460	18,455,279	17,331,098	10,340,385
				-	-
Total noncurrent assets (unrestricted)	2,858,916,216	2,977,634,193	3,040,087,964	3,114,272,613	3,170,346,610
				-	-
Noncurrent assets (restricted):					
Cash and investments	115,677,506	28,070,500	28,070,500	45,955,646	172,691,444
				-	-
Total non-current assets	2,974,593,722	3,005,704,693	3,068,158,464	3,160,228,259	3,343,038,054
				-	-
Total assets	3,094,260,676	3,085,478,024	3,145,750,038	3,272,820,514	3,503,062,501
				-	-
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	-	-	-	-	-
Deferred Charge for debt refundings	-	-	-	-	3,394,556

CITY OF PORTLAND, OREGON
SEWAGE DISPOSAL FUND
STATEMENT OF NET POSITION (Continued)
As of June 30

	2011	2012	2013	2014	2015
LIABILITIES					
Current liabilites (payable from unrestricted assets):					
Accounts payable	$6,415,162	$11,683,405	$15,877,453	$7,017,199	$6,413,223
Compensated absences	3,008,431	3,278,581	3,615,684	3,818,108	4,001,277
Due to component unit	-	-	25,000	-	-
Capital leases payable	-	-	-	-	-
Unearned revenue	591,126	549,721	617,592	722,820	687,853
Bonds payable	77,063,726	80,245,847	83,546,071	91,577,298	103,320,081
Notes and loans payable	1,280,253	1,354,862	1,368,041	1,386,781	1,352,453
Accrued interest payable	13,410,551	13,038,480	12,807,890	16,237,858	17,726,523
Pollution remediation	153,000	145,000	99,000	-	1,115,000
Other liabilities	126,157	136,115	134,750	127,557	27,000
Total current liabilities (unrestricted)	102,048,406	110,432,011	118,091,481	120,887,621	134,643,410
Current liabilites (payable from restricted assets):					
Accounts payable	$13,428,254	$1,085,641	$0	$9,901,365	$8,535,806
Total current liabilities (restricted)	13,428,254	1,085,641	-	9,901,365	8,535,806
Total current liabilities	115,476,660	111,517,652	118,091,481	130,788,986	143,179,216
Noncurrent liabilities:					
Compensated absences	656,020	569,863	365,582	116,383	-
Bonds payable	1,673,468,737	1,593,222,889	1,509,676,818	1,614,205,941	1,725,047,498
Notes and loans payable	19,291,988	19,178,792	96,428,059	16,423,970	14,920,587
Prepaid sewer assessment	-			-	-
Accrued interest payable	6,481,013	7,364,966	8,320,348	9,352,998	10,469,206
Other postemployment benefits	1,157,019	1,284,644	1,426,170	1,463,418	1,511,569
Pollution remediation	172,000	415,000	85,000	2,081,200	225,000
Other liabilities	34,491	146,794	94,837	63,581	46,730
Total noncurrent liabilities	1,701,261,268	1,622,182,948	1,616,396,814	1,643,707,491	1,752,220,590
Total liabilities	1,816,737,928	1,733,700,600	1,734,488,295	1,774,496,477	1,895,399,806
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	-	-	-	-	20,670,228
Deferred charge for debt refunding					4,820,670
Total deferred inflows of resources	-	-	-	-	25,490,898
NET POSITION					
Net investment in capital assets	1,213,009,965	1,317,654,559	1,382,838,427	1,442,320,942	1,503,588,286
Restricted for:					
Debt service	200,000	200,000	200,000	180,000	180,000
Capital projects	-	-	-	-	-
Unrestricted	64,312,783	33,922,865	28,223,316	55,823,095	81,798,067
Total net position	$ 1,277,522,748	$ 1,351,777,424	$ 1,411,261,743	$ 1,498,324,037	$ 1,585,566,353

Source: City of Portland audited financial statements.

CITY OF PORTLAND, OREGON
SEWAGE DISPOSAL FUND
STATEMENT OF REVENUES, EXPENSES, and CHANGES IN FUND NET POSITION
Fiscal Years Ending June 30

	2011	2012	2013	2014	2015
Operating revenues:					
Service charges and fees	$239,654,867	$255,238,165	$276,217,238	$300,025,977	$327,555,376
Service charges and fees provided internally	-	-	3,390,534	1,959,225	1,456,981
Licenses and permits	1,103,843	1,428,987	1,405,704	1,739,676	2,013,484
Rents and reimbursements	66,146	71,291	71,799	71,446	314,856
Miscellaneous	4,576,102	1,732,379	2,685,315	3,226,654	2,071,706
Total operating revenues	245,400,958	258,470,822	283,770,590	307,022,978	333,412,403
Operating expenses:					
Salaries and wages	42,831,171	46,008,644	47,319,527	46,400,539	34,632,181
Operating supplies	3,614,671	3,428,085	3,923,604	4,168,128	4,740,899
Professional services	39,330,658	35,452,114	3,487,969	2,557,130	2,779,041
Services and materials provided internally	-	-	33,662,713	28,238,571	24,504,600
Utilities	4,147,994	5,053,988	5,381,126	5,779,768	5,545,403
Claims	-	7,640.00	-	2,812	-
Miscellaneous	1,285,846	6,677,789	10,362,058	13,681,099	12,240,324
Utility license fees	12,809,321	12,809,321	12,672,638	13,748,827	14,761,849
Depreciation expense	30,320,911	30,158,176	39,459,906	40,990,511	43,075,864
Total operating expenses	134,340,572	139,595,757	156,269,541	155,567,385	142,280,161
Operating income (loss)	111,060,386	118,875,065	127,501,049	151,455,593	191,132,242
Nonoperating revenues (expenses):					
Gain (loss) on sale of capital assets	292,955	(150,009)	(38,716)	(235,757)	(814,164)
Investment earnings	2,836,518	709,195	321,701	1,192,112	2,104,384
Interest expense	(47,006,826)	(46,130,545)	(63,535,315)	(66,654,535)	(69,390,014)
Debt issuance costs	(1,006,118)	(104,887)	(182,450)	(505,844)	(1,018,056)
Miscellaneous	-	-	(14,835.00)	-	-
Total nonoperating revenues (expenses)	(44,883,471)	(45,676,246)	(63,449,615)	(66,204,024)	(69,117,850)
Income (loss) before contributions and transfers	66,176,915	73,198,819	64,051,434	85,251,569	122,014,392
Transfers in	295,348	151,552	160,655	164,587	147,509
Transfers out	(441,074)	(415,016)	(442,672)	(620,312)	(526,697)
Capital contributions	2,141,032	1,319,321	2,714,902	2,266,450	3,000,654
Income before special item	68,172,221	74,254,676	66,484,319	87,062,294	124,635,858
Special Item					
Capital asset write-off	-	-	(7,000,000)	-	-
Change in net position	68,172,221	74,254,676	59,484,319	87,062,294	124,635,858
Total net position -- beginning, previously reported	1,209,350,527	1,277,522,748	1,351,777,424	1,411,261,743	1,498,324,037
Restatement per GASB 68 implementation	-	-	-	-	(37,393,542)
Total net position - beginning, restated	1,209,350,527	1,277,522,748	1,351,777,424	1,411,261,743	1,460,930,495
Total net position -- ending	$ 1,277,522,748	$ 1,351,777,424	$ 1,411,261,743	$ 1,498,324,037	$ 1,585,566,353

Source: City of Portland audited financial statements.

CITY OF PORTLAND, OREGON
SEWAGE DISPOSAL FUND
STATEMENT OF CASH FLOWS
For Fiscal Years Ending June 30

	2011	2012	2013	2014	2015
CASH FLOWS FROM OPERATING ACTIVITY					
Receipts from customers and users	$ 245,915,334	$ 268,684,172	$ 275,644,129	$ 304,291,589	$ 326,154,556
Receipts from interfund services provided	2,095,050	2,363,095	3,411,547	1,959,226	1,456,981
Payments to suppliers	(25,214,112)	(22,861,577)	(17,001,840)	(16,396,500)	(42,991,814)
Payments to employees	(41,305,118)	(44,572,845)	(45,920,998)	(45,285,885)	(47,644,401)
Payments for interfund services used	(43,507,055)	(47,328,672)	(49,810,572)	(49,070,085)	(24,504,600)
Other receipts (payments)	12,816	324	610,262	1,400	13,225
Net cash provided by operating activities	137,996,915	156,284,497	166,932,528	195,499,745	212,483,947
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	109,486	65,505	117,066	164,587	147,510
Transfers out	(388,970)	(415,016)	(442,672)	(483,595)	(511,664)
Net cash provided (used) by noncapital financing activities	(279,484)	(349,511)	(325,606)	(319,008)	(364,154)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of bonds and notes	409,316,352	1,267,882	78,617,308	220,735,040	290,385,000
Premium on bonds and notes issued	42,143,289	-	-	13,924,179	32,206,753
Sale of capital assets	76,144	380,831	324,698	361,753	68,746
Acquisiton of capital assets	(244,535,041)	(145,587,575)	(107,619,737)	(115,149,241)	(103,126,384)
Principal paid on bonds, notes and capital leases	(234,858,270)	(70,001,109)	(73,499,469)	(193,973,974)	(186,127,092)
Interest paid on bonds, notes and capital leases	(47,032,648)	(53,987,750)	(70,911,764)	(70,302,162)	(77,382,502)
Bond issuance costs	(1,006,118)	(104,887)	(182,450)	(505,844)	(1,018,056)
Net cash provided (used) by capital related financing activities	(75,896,292)	(268,032,608)	(173,271,414)	(144,910,249)	(44,993,535)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	2,351,217	1,407,500	515,751	1,115,024	1,662,097
Net increase (decrease) in cash and cash equivalents	64,172,356	(110,690,122)	(6,148,741)	51,385,512	168,788,355
CASH AND CASH EQUIVALENTS July 1 (beginning)	107,613,186	171,785,542	61,095,420	54,946,679	106,332,191
CASH AND CASH EQUIVALENTS June 30 (ending)	$ 171,785,542	$ 61,095,420	$ 54,946,679	$ 106,332,191	$ 275,120,546
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position:					
Unrestricted cash and cash equivalents	$42,679,782	$31,939,279	$26,876,179	$50,475,180	$93,893,296
Restricted cash and cash equivalents	129,105,760	29,156,141	28,070,500	55,857,011	181,227,250
Total	$171,785,542	$61,095,420	$54,946,679	$106,332,191	$275,120,546

CITY OF PORTLAND, OREGON
SEWAGE DISPOSAL FUND
STATEMENT OF CASH FLOWS (Continued)
For Fiscal Years Ending June 30

	2011	2012	2013	2014	2015
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	$ 111,060,386	$ 118,875,065	$ 127,501,049	$ 151,455,593	$ 191,132,242
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization of capital assets	30,320,911	30,158,176	39,459,906	40,990,511	43,075,864
Provision for uncollectible accounts	1,204,408	1,183,469	800,086	1,046,349	1,112,467
Change in assets and liabilities:					
Accounts and advances receivable	(2,975,673)	(4,211,114)	(3,874,441)	(798,160)	125,572
Inventories	(150,882)	(44,203)	(26,389)	(165,111)	(96,155)
Accounts payable	(7,257,293)	(7,074,370)	3,108,407	1,041,111	(1,969,535)
Compensated absences	146,390	183,993	132,822	(46,775)	66,786
Due from (to) other funds	(75,000)	70,000	21,013	0	0
Due from (to) component unit	-	-	30,000	(25,000)	0
Internal loans receivable	5,500,940	16,700,000	-	0	0
Unearned revenue	91,748	(41,405)	67,871	105,228	(34,967)
Accrued other postemployment benefits	255,482	127,625	141,526	37,248	48,151
Pollution remediation	-	-	(376,000)	1,897,200	(741,200)
Other accrued liabilities	(124,502)	357,261	(53,322)	(38,449)	(117,408)
Deferred outflows - pensions	-	-	-	-	(3,394,556)
Deferred inflows - pensions	-	-	-	-	20,670,228
Restatement per GASB 68 implementation	-	-	-	-	(37,393,542)
Net cash provided by operating activities	$ 137,996,915	$ 156,284,497	$ 166,932,528	$ 195,499,745	$ 212,483,947
Noncash information					
Prepaid PERS amortization	(1,124,180)	(1,124,181)	(1,124,181)	(1,124,181)	-
Capital contribution	2,141,032	1,319,321	2,714,902	2,266,450	3,000,654
Special item: Capital asset write-off	-	-	(7,000,000)	-	-
Increase in fair value of investments (classified as cash equivalents)	855,563	(381,966)	(249,324)	(249,178)	194,992

Source: City of Portland audited financial statements.

CITY OF PORTLAND, OREGON
ENVIRONMENTAL REMEDIATION FUND
STATEMENT OF NET POSITION
As of June 30

	2011	2012	2013	2014	2015
ASSETS					
Current assets (unrestricted)					
Cash and investments	$ 5,332,780	$ 5,923,399	$ 3,176,170	$ 3,485,133	$ 3,664,577
Receivables:					
Accrued interest	13,768	18,087	10,254	7,372	9,727
Internal loans	0	295,000	-	-	-
Total current assets (unrestricted)	5,346,548	6,236,486	3,186,424	3,492,505	3,674,304
Noncurrent assets (unrestricted):					
Capital assets, not being depreciated or amortized:	1,563,333	1,563,333	1,563,333	1,563,333	1,563,333
Land	5,416	-	-	-	-
Capital assets, being depreciated or amortized:					
Infrastructure	-	5,416	5,416	5,416	5,416
Buildings	1,768,170	1,768,170	1,768,170	1,768,170	1,768,170
Improvements to land	1,520,801	1,520,801	1,520,801	1,520,801	1,520,801
Accumulated depreciation and amortization	(980,961)	(1,049,925)	(1,118,942)	(1,187,959)	(1,256,977)
Capital assets, net of depreciation and amortization	3,876,759	3,807,795	3,738,778	3,669,761	3,600,743
Pension asset	9,292	8,786	8,280	7,774	73,888
Total noncurrent assets (unrestricted)	3,886,051	3,816,581	3,747,058	3,677,535	3,674,631
Noncurrent assets (restricted):					
Cash and investments	-	-	1,009,510	1,014,945	1,020,013
Total noncurrent assets	3,886,051	3,816,581	4,756,568	4,692,480	4,694,644
Total assets	$ 9,232,599	$ 10,053,067	$ 7,942,992	$ 8,184,985	$ 8,368,948
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	-	-	-	-	24,256
Total deferred outflows of resources	-	-	-	-	24,256

CITY OF PORTLAND, OREGON
ENVIRONMENTAL REMEDIATION FUND
STATEMENT OF NET POSITION (Continued)
As of June 30

	2011	2012	2013	2014	2015
LIABILITIES					
Current liabilities (payable from unrestricted assets)					
Accounts payable	$ 1,096,429	$ 1,184,867	$ 181,091	$ 208,003	$ 269,989
Compensated absences	42,908	34,978	38,909	45,143	53,190
Bonds payable	518	601	691	788	893
Accrued interest payable	31	31	31	31	31
Pollution remediation	1,550,000	695,000	500,000	1,040,000	1,320,000
Total current liabilities (unrestricted)	2,689,886	1,915,477	720,722	1,293,965	1,644,103
Noncurrent liabilities					
Compensated absences	10,347	6,594	4,255	1,466	-
Bonds payable	13,142	12,541	11,850	11,062	10,169
Accrued interest payable	2,910	3,307	3,736	4,200	4,700
Other postemployment benefits	11,893	12,674	13,483	13,700	13,980
Pollution remediation	1,340,000	610,000	360,000	2,675,000	3,270,000
Total noncurrent liabilities	1,378,292	645,116	393,324	2,705,428	3,298,849
Total liabilities	4,068,178	2,560,593	1,114,046	3,999,393	4,942,952
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	-	-	-	-	147,701
Total deferred inflows of resources	-	-	-	-	147,701
NET POSITION					
Net investment in capital assets	3,876,759	3,807,795	3,738,778	3,669,760	3,600,743
Restricted for capital projects	-	-	1,009,510	1,014,945	1,020,013
Unrestricted	1,287,662	3,684,679	2,080,658	(499,113)	(1,318,205)
Total net position	$ 5,164,421	$ 7,492,474	$ 6,828,946	$ 4,185,592	$ 3,302,551

CITY OF PORTLAND, OREGON
ENVIRONMENTAL REMEDIATION FUND
STATEMENT OF REVENUES, EXPENSES, and CHANGES IN FUND NET POSITION
FISCAL YEAR ENDING JUNE 30

	2011	2012	2013	2014	2015
Operating revenues:					
Service charges and fees	$ 6,424,068	$ 5,424,547	$ 3,169,753	$ 2,759,056	$ 2,033,110
Service charges and fees provided internally	-	-	410,006	418,313	441,971
Rents and reimbursements	482,540	467,637	479,090	506,863	524,478
Miscellaneous	69,085	5,977	1,758	244,628	304,458
Total operating revenues	6,975,693	5,898,161	4,060,607	3,928,860	3,304,017
Operating expenses:					
Salaries and wages	624,041	382,610	347,148	381,100	347,710
Operating supplies	69	2,170	2,724	1,331	1,618
Professional services	2,528,503	2,665,935	1,075,934	690,425	648,511
Services and materials provided internally	-	-	995,208	1,009,854	1,001,418
Utilities	-	-	-	-	-
Utility license fee	-	-	154,520	122,970	112,495
Miscellaneous	730,809	486,176	1,331,994	4,412,654	1,977,728
Depreciation and amortization	68,963	68,963	69,017	69,017	69,018
Total operating expenses	3,952,385	3,605,854	3,976,545	6,687,351	4,158,498
Operating income	3,023,308	2,292,307	84,062	(2,758,491)	(854,481)
Nonoperating revenues (expenses):					
Investment earnings (loss)	48,574	36,702	2,710	36,189	23,676
Miscellaneous	(1,191)	(771)	(805)	(837)	(874)
Total nonoperating revenues (expenses)	47,383	35,931	1,905	35,352	22,802
Income before contributions and transfers	3,070,691	2,328,238	85,967	(2,723,139)	(831,679)
Transfers in	2,544	-	702	80,000	100,000
Transfers out	(175)	(185)	(750,197)	(215)	(230)
Change in net position	3,073,060	2,328,053	(663,528)	(2,643,354)	(731,909)
Total net position - beginning	-	-	-	-	4,185,592
Restatement per GASB 68 implementation	-	-	-	-	(151,132)
Total net position -- beginning, as restated	2,091,361	5,164,421	7,492,474	6,828,946	4,034,460
Total net position -- ending	$ 5,164,421	$ 7,492,474	$ 6,828,946	$ 4,185,592	$ 3,302,551

CITY OF PORTLAND, OREGON
ENVIRONMENTAL REMEDIATION FUND
STATEMENT OF CASH FLOWS
FISCAL YEAR ENDING JUNE 30

	2011	2012	2013	2014	2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 6,975,693	$ 5,167,592	$ 3,650,601	$ 3,510,549	$ 2,862,046
Receipts from interfund services provided	-	435,569	410,006	418,313	441,971
Payments to suppliers	(4,736,978)	(3,768,942)	(4,013,950)	(2,345,469)	(1,803,366)
Payments to employees	(630,847)	(393,006)	(344,241)	(376,933)	(434,650)
Payments for interfund services used	-	(881,901)	(995,206)	(1,009,854)	(1,001,418)
Net cash provided (used) by operating activities	1,607,868	559,312	(1,292,790)	196,606	64,583
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	2,544	-	702	80,000	100,000
Transfers out	(175)	(185)	(750,197)	(215)	(230)
Payments from internal loans	-	-	295,000	-	-
Net cash used by noncapital financing activities	2,369	(185)	(454,495)	79,785	99,770
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds, notes and capital leases	(442)	(518)	(601)	(691)	(788)
Interest paid on bonds, notes and capital leases	(384)	(373)	(376)	(375)	(374)
Net cash used by capital related financing activities	(826)	(891)	(977)	(1,066)	(1,162)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earning (loss) on investments	37,570	32,383	10,543	39,073	21,321
Net increase (decrease) in cash and cash equivalents	1,646,981	590,619	(1,737,719)	314,398	184,512
CASH AND CASH EQUIVALENTS, July 1 (beginning)	3,685,799	5,332,780	5,923,399	4,185,680	4,500,078
CASH AND CASH EQUIVALENTS, June 30 (ending)	$ 5,332,780	$ 5,923,399	$ 4,185,680	$ 4,500,078	$ 4,684,590
Reconciliation of cash and cash equivalents to the Statement of Net Assets:					
Unrestricted cash and cash equivalents	$ 5,332,780	$ 5,923,399	$ 3,176,170	$ 3,485,133	$ 3,664,577
Restricted cash and cash equivalents	-	-	1,009,510	1,014,945	1,020,013
Total cash and cash equivalents	$ 5,332,780	$ 5,923,399	$ 4,185,680	$ 4,500,078	$ 4,684,590

CITY OF PORTLAND, OREGON
ENVIRONMENTAL REMEDIATION FUND
STATEMENT OF CASH FLOWS (continued)
FISCAL YEAR ENDING JUNE 30

	2011	2012	2013	2014	2015
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ 3,023,308	$ 2,292,307	$ 84,062	$ (2,758,491)	$ (854,481)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	68,963	68,963	69,017	69,017	69,018
Change in assets and liabilities:					
Accounts, contracts receivable, advances and assessments	506	506	506	506	506
Internal loans receivable	-	(295,000)	-	-	-
Accounts payable	262,403	88,438	(1,003,776)	26,912	26
Compensated absences	(10,010)	(11,683)	1,592	3,445	3,445
Other postemployment benefits	2,698	781	809	217	217
Pollution remediation	(1,740,000)	(1,585,000)	(445,000)	2,855,000	2,855,000
Other assets	-	-	-	-	-
Net cash provided (used) by operating activities	$ 1,607,868	$ 559,312	$ (1,292,790)	$ 196,606	$ 2,073,731
Non-cash Information					
Non-operating prepaid PERS amortization	$ (506)	$ (506)	$ (506)	$ (506)	$ (506)
Increase (decrease) in fair value of investments (classified as cash equivalents)	27,429	2,503	(24,184)	12,107	12,107

CITY OF PORTLAND, OREGON

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