

# **ANNUAL DISCLOSURE INFORMATION**

**Pertaining to  
City of Portland, Oregon**



**\$21,240,000**

**Lents Town Center  
Urban Renewal and Redevelopment Bonds  
2010 Series A (Federally Taxable)  
Dated June 24, 2010**

**\$15,650,000**

**Lents Town Center  
Urban Renewal and Redevelopment Bonds  
2010 Series B (Tax Exempt)  
Dated June 24, 2010**

**December 30, 2017**



## MATURITY SCHEDULES

**\$21,240,000\***

**Lents Town Center  
Urban Renewal and Redevelopment Bonds  
2010 Series A (Federally Taxable)**

\$4,795,000 5.784% 2010 Series A Term Bonds due June 15, 2020;  
CUSIP Number 736746UE6

\$7,625,000 6.284% 2010 Series A Term Bonds due June 15, 2024;  
CUSIP Number 736746UF3

**\$15,650,000\***

**Lents Town Center  
Urban Renewal and Redevelopment Bonds  
2010 Series B (Tax Exempt)**

<b><u>Due June 15</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>CUSIP No. 736746</u></b>
2024	\$220,000	4.25%	UG1
2025	2,275,000	5.00	UH9
2026	950,000	4.50	UJ5
2026	1,440,000	5.00	UK2
2027	2,500,000	5.00	UL0
2028	1,450,000	4.75	UM8
2028	1,175,000	5.00	UN6
2029	2,755,000	4.75	UP1
2030	2,885,000	5.00	UQ9
	<u>\$15,650,000</u>		

\*Original par amount.

**ANNUAL DISCLOSURE INFORMATION**

**Pertaining to:**

**\$21,240,000**  
**City of Portland, Oregon**  
**Lents Town Center Urban Renewal and Redevelopment Bonds,**  
**2010 Series A (Federally Taxable)**  
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**\$15,650,000**  
**City of Portland, Oregon**  
**Lents Town Center Urban Renewal and Redevelopment Bonds,**  
**2010 Series B (Tax Exempt)**  
**Dated June 24, 2010**

**Information Updated as of December 30, 2017**

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## INFORMATION PERTAINING TO LENTS TOWN CENTER TAX INCREMENT REVENUES

### HISTORICAL TRENDS IN REAL MARKET VALUES AND ASSESSED VALUES

The table below presents a five-year history of Real Market Value and Assessed Value in the Area. In The higher FY 2014-15 Real Market Value for Machinery/Equipment is largely attributable to Bridgetown Natural Foods LLC, which added about \$8.6 million of Real Market Value; however, the property received an Enterprise Zone property tax exemption of \$8.6 million, resulting in virtually no change in Assessed Value between FYs 2013-14 and 2014-15. In FY 2017-18, higher values for Personal Property are largely attributable to King TJ 300 Enterprises LLC (doing business as King Pin), Winco Foods LLC, and Westrock CP LLC, which added \$2.6 million, \$2.5 million and \$2.3 million of Real Market Value and Assessed Value; respectively.

**Table 1**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**HISTORICAL TRENDS IN REAL MARKET AND ASSESSED VALUES**  
**BY PROPERTY TYPE**  
**(FY 2013-14 through FY 2017-18)**

<b>REAL MARKET VALUE</b>					
Property Type	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Real	\$2,061,196,620	\$2,235,072,580	\$2,504,427,920	\$2,985,183,610	\$3,388,536,840
Personal	43,082,005	42,988,358	45,433,730	43,371,780	53,937,840
Machinery/Equip.	8,791,360	18,696,850	18,382,230	21,387,460	19,781,700
Manufactured	2,390,080	2,394,080	8,930,500	9,990,900	12,663,520
Utility	27,564,089	28,348,047	31,249,088	30,817,801	33,117,155
<b>Total</b>	<b>\$2,143,024,154</b>	<b>\$2,327,499,915</b>	<b>\$2,608,423,468</b>	<b>\$3,090,751,551</b>	<b>\$3,508,037,055</b>
% Change	4.0%	8.6%	12.1%	18.5%	13.5%
<b>ASSESSED VALUE</b>					
Property Type	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Real	\$1,256,382,330	\$1,306,233,980	\$1,345,315,560	\$1,394,690,190	\$1,447,596,742
Personal	41,749,315	41,220,058	43,727,280	41,641,900	50,736,070
Machinery/Equip.	8,679,620	9,690,470	9,053,660	9,161,270	8,380,950
Manufactured	1,963,390	2,003,940	6,687,730	7,088,860	7,521,610
Utility	27,316,410	27,921,900	29,551,600	30,252,400	32,541,681
<b>Total</b>	<b>\$1,336,091,065</b>	<b>\$1,387,070,348</b>	<b>\$1,434,335,830</b>	<b>\$1,482,834,620</b>	<b>\$1,546,777,053</b>
% Change	4.3%	3.8%	3.4%	3.4%	4.3%
Incremental AV	\$599,867,032	\$650,846,315	\$698,111,797	\$746,610,587	\$810,553,020
% Change	10.0%	8.5%	7.3%	7.0%	8.6%

Source: Multnomah County Division of Assessment, Recording and Taxation.

The table below shows Assessed Value (“AV”) from FY 2008-09 through FY 2017-18.

**Table 2**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**HISTORICAL ASSESSED VALUE**  
**(FY 2008-09 through FY 2017-18)**

<b>Fiscal Year</b>	<b>Frozen Base</b>	<b>Incremental Value</b>	<b>% Change Incremental AV</b>	<b>Total Assessed Value</b>	<b>% Change Total AV</b>
2008-09	\$640,177,922	\$400,982,105	11.8%	\$1,041,160,027	4.2%
2009-10 (1)	736,224,033	457,950,622	14.2%	1,194,174,655	14.7%
2010-11	736,224,033	482,455,121	5.4%	1,218,679,154	2.1%
2011-12	736,224,033	515,771,987	6.9%	1,251,996,020	2.7%
2012-13	736,224,033	545,241,847	5.7%	1,281,465,880	2.4%
2013-14	736,224,033	599,867,032	10.0%	1,336,091,065	4.3%
2014-15	736,224,033	650,846,315	8.5%	1,387,070,348	3.8%
2015-16	736,224,033	698,111,797	7.3%	1,434,335,830	3.4%
2016-17	736,224,033	746,610,587	7.0%	1,482,834,620	3.4%
2017-18	736,224,033	810,553,020	8.6%	1,546,777,053	4.3%

Notes:

(1) Reflects effect of First Amendment to the Lents Town Center Plan, adopted by the City Council on June 25, 2008 and recorded by Multnomah County on July 2, 2008, which added \$96,046,111 to the Frozen Base of the Area.

Source: Multnomah County Division of Assessment, Recording and Taxation.

**Property Types and Values**

The Assessed Value for new construction and changed property is calculated by multiplying the Real Market Value of the property by the ratio of the Assessed Values to the Real Market Values of comparable properties in a county (the “Changed Property Ratio”). This produces an Assessed Value for new construction and changed property that approximates the Assessed Value of comparable existing properties in an area. The following table presents a five-year history of Changed Property Ratios for Multnomah County for various property classifications.

**Table 3**  
**CITY OF PORTLAND, OREGON**  
**History of Changed Property Ratios by Property Type**  
**(Multnomah County)**

<b>Fiscal Year Ending June 30</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Residential	0.6972	0.6367	0.5941	0.5379	0.5004
Commercial/Local Industrial	0.5699	0.5654	0.5535	0.4812	0.4466
State Industrial	1.0000	1.0000	1.0000	1.0000	1.0000
Multi-Family	0.5837	0.5506	0.4917	0.3967	0.3297
Recreational	0.8064	0.7962	0.8679	0.7867	0.7572
Machinery and Equipment	1.0000	1.0000	1.0000	1.0000	1.0000
Miscellaneous	0.6663	0.6533	0.6911	0.6409	0.6588
Personal Property	1.0000	1.0000	1.0000	1.0000	1.0000

Source: Multnomah County Division of Assessment, Recording and Taxation.

The following table shows Assessed Value, Real Market Value and Assessed/Real Market Property Ratios for types of property in the Area. Note that for purposes of collecting Divide the Taxes Revenues, property taxes are levied on all property types shown in the table.

**Table 4**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**ASSESSED AND REAL MARKET VALUE BY PROPERTY TYPE**  
**(FY 2017-18)**

<b>Property Class</b>	<b>Assessed Value</b>	<b>% of Total</b>	<b>Real Market Value</b>	<b>AV/Real Market Value Ratio</b>
<b>Real Property</b>				
Residential Property	\$992,289,172	64.2%	\$2,060,847,420	48.1%
Commercial/Industrial (County Assessed)	360,903,960	23.3%	1,039,865,290	34.7%
Multiple Family Housing	93,514,190	6.0%	265,408,180	35.2%
Other	889,420	0.1%	22,415,950	4.0%
Subtotal	1,447,596,742	93.6%	3,388,536,840	
<b>Personal Property</b>	50,736,070	3.3%	53,937,840	94.1%
<b>Machinery/Equipment</b>	8,380,950	0.5%	19,781,700	42.4%
<b>Manufactured Structures</b>				
Real Property	4,874,460	0.3%	8,985,520	54.2%
Personal Property	2,647,150	0.2%	3,678,000	72.0%
<b>Utilities</b>	32,541,681	2.1%	33,117,155	98.3%
<b>TOTAL</b>	<b>\$1,546,777,053</b>	<b>100.0%</b>	<b>\$3,508,037,055</b>	

Source: "Table 7a – TAXABLE ASSESSED VALUE AND REAL MARKET VALUE BY PROPERTY CLASS, Tax Year 2017-18," Lents Town Center Urban Renewal District, Multnomah County Division of Assessment, Recording and Taxation.

The following table shows the Assessed Value and Real Market Value ratios by ratio category for all property types in the Area. Properties with low AV/RMV ratios have substantial room to grow at the three percent limit established by the Oregon Constitution. Approximately 87 percent of properties have AV/RMV ratios below 70 percent as of FY 2017-18.

**Table 5**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**ASSESSED TO REAL MARKET VALUE RATIOS**  
**(FY 2017-18)**

<b>AV/RMV Ratio</b>	<b>Assessed Value</b>	<b>Percent of Total</b>	<b>Cumulative Percent of Total</b>
Under 30%	\$47,137,720	3.0%	3.0%
30 - 39%	167,718,160	10.8%	13.8%
40 - 49%	469,652,482	30.4%	44.2%
50 - 59%	495,995,570	32.1%	76.3%
60 - 69%	171,178,290	11.1%	87.4%
70 - 79%	36,079,100	2.3%	89.7%
80 - 89%	47,485,540	3.1%	92.8%
90 - 99%	14,374,250	0.9%	93.7%
100%	97,155,941	6.3%	100.0%
<b>TOTAL</b>	<b>\$1,546,777,053</b>	<b>100.0%</b>	

Source: Multnomah County Division of Assessment, Recording and Taxation.

**Principal Taxpayers**

The principal property taxpayer accounts in the Area are listed in the following table.

**Table 6**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**TOP TEN PROPERTY TAXPAYER ACCOUNTS**

<b>Company Name</b>	<b>Type of Business/Use</b>	<b>2017-18 Assessed Value</b>	<b>Percent of Total Assessed Value</b>
Total Lents Town Center		\$1,546,777,053	100.0%
Eastport Plaza Shopping Center	Retail	39,750,780	2.6%
Wal-Mart Real Estate Business	Retail	17,953,640	1.2%
Powell Street Limited Partnership	Retail	15,464,840	1.0%
Portland General Electric	Energy	12,869,740	0.8%
Western C REIT OR LLC	Warehouse	12,133,420	0.8%
Fred Meyer Stores, Inc.	Retail/grocery	11,570,560	0.7%
CenturyLink	Communication	6,424,800	0.4%
Northwest Natural Gas Co	Utility	4,540,000	0.3%
Genuardi's Family Markets LP	Retail	4,511,230	0.3%
A & K Designs Inc.	Sewing contractor	4,480,990	0.3%
		<b>\$129,700,000</b>	<b>8.4%</b>

Source: Multnomah County Division of Assessment, Recording and Taxation.



## OTHER FACTORS AFFECTING TAX COLLECTIONS

### Property Tax Rates

The Divide the Taxes Revenues are calculated by multiplying the Incremental Assessed Value of the Area by the consolidated billing tax rate, which is the sum of the tax rates of taxing districts that overlap the Area, excluding the rate for the urban renewal special levy. In July 2013, House Bill 2632 was signed, which generally excludes local option taxes approved after January 1, 2013, from the consolidated billing tax rate for purposes of computing urban renewal division of taxes for standard rate urban renewal plans, including the Area. The following tables show the consolidated billing tax rate for the past five years, and the breakdown of tax rates attributable to each Levy Code Area making up the Area for FY 2017-18. A Levy Code Area consists of a set of properties for which the consolidated billing tax rate is comprised of the tax rates of a unique mix of taxing jurisdictions. For FY 2017-18, Levy Code Area 703 represented approximately 69 percent of the Area's Incremental Assessed Value, Levy Code Area 705 represented 31 percent of Incremental Assessed Value, and Levy Code Area 704 represented less than one percent of Incremental Assessed Value.

**Table 7**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**CONSOLIDATED TAX RATE BY LEVY CODE AREA (1)**

<b>Fiscal Year</b>			
<b>Ending</b>			
<b>June 30</b>	<b>703</b>	<b>704</b>	<b>705</b>
2014	\$23.8575	\$21.8271	\$21.5846
2015	23.2260	21.2864	21.0559
2016 (2)	20.9059	20.9385	20.8447
2017	20.7984	20.8787	20.6919
2018 (3)	22.2462	20.7565	20.6432

Notes:

- (1) Rate per \$1,000 of Assessed Value.
- (2) Decline in consolidated billing tax rate in Levy Code Area 703 reflects loss of new local option levies, including Portland Public School's local option levy of \$1.99/\$1,000 of Assessed Value, due to passage of House Bill 2632.
- (3) Higher consolidated billing tax rate in Levy Code Area 703 reflects increase in tax rate for Portland Public Schools general obligation bonds issued in 2017.

Source: Multnomah County Division of Assessment, Recording and Taxation.

**Divide the Taxes Revenue Reductions Due to Measure 5 Compression**

Divide the Taxes Revenues may be reduced by Measure 5 compression effects or delinquencies in tax collections. In FY 2017-18, Measure 5's tax rate cap of \$10/\$1,000 of Measure 5 market value was the primary factor in reducing the Divide the Taxes Revenues in the Area to \$16,762,546 from the authorized amount of \$17,623,569, or by about 4.9 percent, as shown in the table below.

**Table 8**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**EFFECTS OF COMPRESSION ON DIVIDE THE TAXES REVENUES**

<b>Year</b>	<b>Divide the Taxes Revenue To Raise (1)</b>	<b>Divide the Taxes Revenues Imposed (2)</b>	<b>Losses Due Compression and Other Factors</b>
2008-09	8,428,047	8,056,078	4.4%
2009-10	9,839,373	9,344,988	5.0%
2010-11	10,324,952	9,685,618	6.2%
2011-12	11,181,492	10,098,006	9.7%
2012-13	11,926,588	10,524,133	11.8%
2013-14	13,879,633	12,003,585	13.5%
2014-15	14,666,044	13,229,753	9.8%
2015-16	14,581,203	13,700,744	6.0%
2016-17	15,503,425	14,751,575	4.8%
2017-18	17,623,569	16,762,546	4.9%

Notes:

- (1) Prior to Measure 5 Compression.
- (2) After Measure 5 Compression but before losses due to delinquencies and discounts.

Source: Multnomah County Division of Assessment, Recording and Taxation.

## Divide the Taxes Revenue Reductions Due to Delinquencies

Property tax collections are also reduced by delinquencies and discounts. The following table shows property tax collections over the past ten fiscal years. In recent years, taxes collected in the year in which they were levied have generally exceeded 95 percent. Note that, under current State law, tax collections at the county level are pooled, and each taxing jurisdiction (including urban renewal areas) receives a *pro rata* distribution of county-wide collections. This practice has the effect of spreading delinquent payments county-wide.

**Table 9**  
**CITY OF PORTLAND, OREGON**  
**Tax Collection Record for the Last Ten Years (1)**

Fiscal Year	Total Levy (000) (2)	Collected Yr. of Levy (3)	Collected as of 6/30/2017 (3)
2007-08	\$394,492	97.0%	100.0%
2008-09	397,822	96.3%	100.0%
2009-10	436,246	96.8%	99.6%
2010-11	445,239	97.1%	99.6%
2011-12	445,044	96.8%	99.4%
2012-13	452,453	97.2%	99.4%
2013-14	467,516	97.3%	99.1%
2014-15	490,540	97.6%	98.9%
2015-16	516,334	97.8%	98.5%
2016-17	551,135	98.0%	98.0%

Notes:

- (1) Tax collection information is for Multnomah County, which represents approximately 99.6% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.
- (2) Amount is collected all counties. Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression.
- (3) Collections are calculated as payments received less adjustments for cancellation of taxes and allowed discounts, plus taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy. Discounts currently represent the largest adjustment to the tax levy. Discounts associated with the FY 2016-17 tax levy represented about 2.6% of that year's levy. Discounts effectively reduce the amount of a fiscal year's levy remaining to be collected in future years.

Sources: Multnomah County Division of Assessment, Recording and Taxation and City of Portland.

## HISTORICAL TAX INCREMENT REVENUES, DEBT SERVICE AND OUTSTANDING DEBT

The following table shows historical collections of Divide the Taxes Revenues in the Lents Town Center Urban Renewal Area Debt Redemption Fund (the "Tax Increment Fund").

**Table 10**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**HISTORICAL TAX INCREMENT REVENUE COLLECTIONS**  
(Actual Results Reported on a Budgetary Basis)

	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY2016-17</b>
<b>Tax Increment Revenues</b>					
Tax Collections (Current Year)	\$9,984,372	\$11,403,684	\$12,583,057	\$13,062,134	\$14,092,653
Tax Collections (Prior Years) (1)	230,463	201,374	205,988	222,627	166,093
Investment Earnings	31,424	31,087	41,568	64,624	103,805
<b>TOTAL</b>	<b>\$10,246,259</b>	<b>\$11,636,145</b>	<b>\$12,830,613</b>	<b>\$13,349,385</b>	<b>\$14,362,551</b>
<b>Annual Debt Service</b>					
Parity Indebtedness	\$3,028,784	\$3,028,850	\$3,031,325	\$3,032,591	\$3,029,507
<b>TOTAL</b>	<b>\$3,028,784</b>	<b>\$3,028,850</b>	<b>\$3,031,325</b>	<b>\$3,032,591</b>	<b>\$3,029,507</b>

Notes:

(1) Property taxes collected from prior year delinquencies.

Source: City of Portland.

The following table presents a summary of historical property values, consolidated tax rates, current year Divide the Taxes collections and Annual Debt Service on the Bonds.

**Table 11**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**SUMMARY OF LENTS TOWN CENTER PROPERTY VALUE, TAX INCREMENT REVENUE**  
**COLLECTIONS, AND DEBT SERVICE**

Fiscal Year	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Real Market Value</b>	\$2,060,820,971	\$2,143,024,154	\$2,327,499,915	\$2,608,423,468	\$3,090,751,551
<b>Assessed Value:</b>					
Frozen Base	\$736,224,033	\$736,224,033	\$736,224,033	\$736,224,033	\$736,224,033
Incremental Assessed Value	545,241,847	599,867,032	650,846,315	698,111,797	746,610,587
Total Assessed Value	\$1,281,465,880	\$1,336,091,065	\$1,387,070,348	\$1,434,335,830	\$1,482,834,620
<b>Consolidated Tax Rate (1)</b>	\$21.6791	\$23.1378	\$22.5338	\$20.8866	\$20.7651
<b>Taxes to be Raised</b>	\$11,926,588	\$13,879,633	\$14,666,044	\$14,581,203	15,503,425
Less Compression	(1,402,455)	(1,876,048)	(1,436,291)	(880,459)	(751,850)
<b>Taxes Imposed</b>	10,524,133	12,003,585	13,229,753	13,700,744	14,751,575
Less Delinquencies/ Discounts	(539,761)	(599,901)	(646,696)	(638,610)	(658,922)
<b>Net Divide the Taxes Revenues</b>	\$9,984,372	\$11,403,684	\$12,583,057	\$13,062,134	\$14,092,653
<b>Debt Service:</b>					
2010 Series A (Taxable)	\$2,263,196	\$2,263,262	\$2,265,738	\$2,267,004	\$2,263,920
2010 Series B (Tax Exempt)	765,588	765,588	765,588	765,588	765,588
Total	\$3,028,784	\$3,028,850	\$3,031,326	\$3,032,592	\$3,029,508
 Debt Service Coverage (x)	 3.30	 3.77	 4.15	 4.31	 4.65

Notes:

(1) Blended rate for three Levy Code Areas making up the Area.

Source: Multnomah County Division of Assessment, Recording and Taxation and City of Portland.

## OUTSTANDING INDEBTEDNESS

The following table presents debt outstanding for the Lents Town Center Urban Renewal Area as of December 30, 2017.

**Table 12**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**OUTSTANDING LONG-TERM DEBT AS OF DECEMBER 30, 2017**

<u>Issue Name</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A	6/24/2010	6/15/2024	\$21,240,000	\$12,420,000
Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series B	6/24/2010	6/15/2030	\$15,650,000	\$15,650,000
Total			<u>\$36,890,000</u>	<u>\$28,070,000</u>

Source: City of Portland.

As of the date of this Annual Disclosure document, a total \$100,000 was outstanding on a line of credit established for the Area and \$1,110,000 of additional financing capacity remained on the line through December 30, 2019. The line of credit is secured by the City's full faith and credit and a lien on the Lents Town Center Tax Increment Revenues that is subordinate to the lien of Parity Indebtedness. Additionally, a total \$15,803,672 was outstanding on a separate line of credit secured only by the Lents Town Center Tax Increment Revenues. The lien on the Lents Town Center Tax Increment Revenues for this line is subordinate to the lien of Parity Indebtedness but superior to the line secured by the full faith and credit of the City. A total of \$29,421,328 of additional financing capacity remained on that line through December 30, 2019.

## MAXIMUM INDEBTEDNESS

The Maximum Indebtedness amount for the Area is \$245,000,000. The table below shows the estimated Maximum Indebtedness amount remaining as of December 30, 2017.

**Table 13**  
**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area**  
**MAXIMUM INDEBTEDNESS, AMOUNTS ISSUED, AND AMOUNTS REMAINING**  
**(as of December 30, 2017)**

Maximum Indebtedness Amount	\$245,000,000
Less: Long-Term Debt Issued (1)	(52,796,555)
Taxable Short-Term Debt Issued (2)	<u>(108,959,895)</u>
Remaining Maximum Indebtedness	<u>\$83,243,550</u>

Notes:

- (1) Includes line of credit draws and/or long-term bonds.
- (2) To comply with requirements that tax increment revenues be spent on bonded indebtedness, the City issues bonds with very short maturities (typically overnight). These bonds, known as "du jour bonds" are typically sold to commercial banks. All such bonds possess a lien on the Central Eastside Tax Increment Revenues that is subordinate to the lien of all other Parity Indebtedness.

Source: City of Portland.

## **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"). The Tax Increment Fund is a governmental fund of the City.

### **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 2016-17.

A complete copy of the City's FY 2016-17 audit is available on the EMMA system for municipal securities disclosure established by the MSRB and accessible at <http://emma.msrb.org>. Excerpts of the City's audited financial statements for the Tax Increment Fund on a GAAP basis are found in the Appendix.

### **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 provides recommendations to the City Council on capital spending, rates, and customer service issues. On June 10, 2015, the City Council approved creation of the Portland Utility Board, a new citizen oversight panel that replaced the Portland Utility Review Board and budget advisory committees for the Portland Water Bureau and Bureau of Environmental Services. The Portland Utility Board, which is staffed by a dedicated financial analyst, advises the 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, which was created by the City Council in December 2012, coordinates the budget development process.

Bureau budget requests are reviewed by the Mayor and Council members, as well as a panel of community advisors. The Mayor develops a Proposed Budget that addresses City Council priorities, public input, and balancing requirements. Following

presentation of the Proposed Budget, a community hearing is scheduled wherein public testimony is taken. A budget summary and notice of hearing are published prior to the hearings. The City Council, sitting as the Budget Committee, considers the testimony from the community and can alter the budget proposal before voting to approve the budget.

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

## **INSURANCE**

The City is exposed to various risks of loss related to theft, damage and destruction of assets, tort claims (general and fleet liability), injuries to employees, acts of terrorism, and natural disasters. The City is self-insured for workers' compensation, fleet and general liability claims and certain employees' medical coverage in internal service funds.

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 position). 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 Division 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 ended June 30, 2017, the expected rate of return used was one percent. For fiscal year ending June 30, 2018 and subsequent years, the expected rate of return used was one percent and 1.15% respectively. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage deemed as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations and outstanding liabilities. An excess liability coverage insurance policy covers individual claims in excess of \$1 million to policy limits, police law enforcement claims in excess of \$2.5 million for claims occurring after November 12, 2013, to policy limits and an excess workers' compensation coverage insurance policy covers claims in excess of \$850,000 for occurrences after July 1, 2012. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance fund. The City's limits of coverage on the excess liability policy is \$10 million per claim above the self-insurance retention for covered torts. The City does not have any claims reserved above the current self-insurance retention and excess layer. In the City's last three excess renewals, there have been no material changes in retention, coverage or conditions. Furthermore, current levels of accrued claims and case reserve estimates are viewed as reasonable provisions for expected future losses.

Per Oregon Revised Statute (ORS) 30.272 limitations on liability of public bodies for personal injury to any single claimant for causes of action arising on or after July 1, 2016, and before July 1, 2017, limitations are \$691,200 for single claimant and \$1.38 million for multiple claimants. For causes of action arising on or after July 1, 2017 limits increased to \$706,000 for a single claimant and \$1,412,000 for multiple claimants.

Per ORS 30.273 limitations on liability of public bodies for property damage arising on or after July 1, 2016 and before July 1, 2017, limitations increase to \$113,400 for single claimant and \$566,900 for multiple claimants. For causes of action arising on or after July 1, 2017, limits increased to \$115, 800 for single claimants and \$579,000 for multiple claimants.

Liabilities are reported in the applicable fund when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.



The estimate of claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether any are allocated to specific claims. Estimated recoveries, from salvage or subrogation for example, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past two years are as follows:

	<b>Fiscal Year Ended June 30, 2017</b>	<b>Fiscal Year Ended June 30, 2016</b>
Balance, beginning of fiscal year	\$26,796,392	\$27,370,001
Incurring claims and adjustments	60,331,926	54,752,785
Claim cash payments	(59,059,500)	(55,326,394)
Unpaid claims, end of fiscal year	<u>\$28,068,818</u>	<u>\$26,796,392</u>

## **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 “—PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT FUND” below.

### **Benefit Programs**

Employees hired before January 1, 1996, are known as “Tier 1” participants. The retirement benefits applicable to Tier 1 participants are based on a defined benefit model. Tier 1 has a normal retirement age of 58 and, effective January 1, 2018, an assumed earnings rate guarantee of 7.20 percent. 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, 2017, the balance of this reserve was \$448.8 million. As of June 30, 2017, there were 24,528 active plan members, 125,344 retired plan members or their beneficiaries currently receiving benefits, and 14,037 inactive plan members entitled to but not yet receiving benefits, for a total of 163,909 Tier One 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, 2017, there were 37,097 active plan members, 12,234 retired plan members or their beneficiaries currently receiving benefits, and 15,692 inactive plan members entitled to but not yet receiving benefits, for a total of 65,023 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, 2017, there were 111,680 active plan members, 3,437 retired plan members or their beneficiaries currently receiving benefits, 4,215 inactive plan members entitled to but not yet receiving benefits, and 11,765 inactive plan members not eligible for refund or retirement, for a total of 131,097 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 is Milliman, Inc ("Milliman"). 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 July 28, 2017, meeting, the PERS Board modified certain methods and assumptions which were to be used for the 2016 valuations and will be used for the 2017 valuations. The following table shows methods and assumptions adopted by the PERS Board, which are the basis for the actuarial valuations.

**Table 14**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Actuarial Assumptions and Methods**

<b>ASSUMPTION/ METHOD</b>	<b>2014 &amp; 2015 VALUATIONS</b>	<b>2016 &amp; 2017 VALUATIONS (1)</b>
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
UAL-Method: T1/T2 Programs	Level Percentage of Payroll over 20 years (fixed)	Unchanged
OPSRP	Level Percentage of Payroll over 16 years (fixed)	Unchanged
Asset Valuation Method:	Market Value (2)	Unchanged
Investment Rate of Return:	7.50%	7.20%
Payroll Growth Rate:	3.50%	Unchanged
Inflation Level:	2.50%	Unchanged
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 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.	Unchanged

Notes:

- (1) Assumptions and methods adopted by the PERS Board on July 28, 2017, that apply to actuarial valuations as of December 31, 2016, and December 31, 2017, which has not yet been released.
- (2) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).

Source: Oregon Public Employees Retirement System.

Milliman released its 2014 valuation for the Statewide PERS System as of December 31, 2014, (the "2014 System Valuation") on November 12, 2015, its 2015 valuation for the Statewide PERS System as of December 31, 2015, (the "2015 System Valuation") on September 27, 2016, and its 2016 valuation for the Statewide PERS System as of December 31, 2016 (the "2016 System Valuation") on December 6, 2017. These reports include system-wide actuarial valuations for the T1/T2 Pension Programs and OPSRP.

Milliman released the City's individual 2014 valuation report as of December 31, 2014, (the "2014 City Report") on November 17, 2015, its individual 2015 valuation report as of December 31, 2015, (the "2015 City Report") on October 11, 2016, and its individual 2016 valuation as of December 31, 2016, (the "2016 City Report") on December 7, 2017. 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 15**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Summary of Statewide PERS System Funding Levels**  
**(\$ in Millions) (1)**

<b>STATEWIDE PERS SYSTEM</b>				
<b>Calendar Year</b>	<b>Actuarial</b>	<b>Unfunded</b>		
	<b>Value of Assets</b>	<b>Actuarial Liability</b>	<b>Actuarial Liability</b>	<b>Funded Ratio (%)</b>
2007	\$51,669.7	\$52,871.2	\$1,201.5	97.7
2008	38,386.1	54,259.5	15,873.4	70.7
2009	43,238.8	56,810.6	13,571.8	76.1
2010	46,004.4	59,329.5	13,325.1	77.5
2011	43,238.8	61,198.4	17,959.6	76.1
2012 (2)	49,265.9	60,405.2	11,139.3	81.6
2013 (2)	54,090.1	62,593.6	8,503.5	86.4
2014 (3)	55,518.2	73,458.9	17,940.7	75.6
2015	54,365.8	76,196.6	21,830.8	71.3
2016	55,670.2	80,970.3	25,300.1	68.8

Notes:

- (1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA. The unfunded liability is higher than presented in previous disclosure documents because side accounts resulting from employer supplemental deposits, including proceeds of pension obligation bonds, are excluded.
- (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.
- (3) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See “—Recent Developments Related to PERS” below.

Source: Oregon Public Employees Retirement System.

**Table 16**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Summary of City Funding Levels**  
**(\$ in Millions) (1)**

<b>Calendar Year</b>	<b>Actuarial</b>	<b>Unfunded</b>		<b>Funded Ratio (%)</b>
	<b>Value of Assets</b>	<b>Actuarial Liability</b>	<b>Actuarial Liability</b>	
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
2015	1,820.6	2,335.5	514.9	78.0
2016	1,891.4	2,540.2	648.8	74.4

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. SLGRP values include adjustments made to maintain comparability among employers entering the SLGRP.
- (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.
- (3) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See "—Recent Developments Related to PERS" below.

Source: Oregon Public Employees Retirement System.

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

**Table 17**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**City Payroll for PERS Members and Unfunded Actuarial Liability**

<b>Calendar Year</b>	<b>Payroll</b>	<b>Unfunded Actuarial Liability</b>	<b>Unfunded Liability to Payroll Ratio</b>
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%
2015	350,158,915	514,861,639	147%
2016	362,850,562	648,861,639	179%

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 was revised at the OIC meeting of June 3, 2015, and currently is 37.5 percent public equity, 17.5 percent private equity, 20 percent debt securities, 12.5 percent real estate, and 12.5 percent alternative equity.

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

**Table 18**  
**OREGON PUBLIC EMPLOYEES RETIREMENT FUND**  
**Oregon PERS Investment Returns (1)**

<b>Fiscal Year</b>	<b>Net</b>
<b>Ending June 30</b>	<b>Returns (%)</b>
2008	-3.5
2009	-22.2
2010	17.0
2011	22.3
2012	1.6
2013	12.7
2014	16.6
2015	4.3
2016	1.2
2017	11.9

Notes:

(1) Total fund performance, excluding variable account.

Source: Oregon Public Employees Retirement Fund System Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

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 19**  
**OREGON PUBLIC EMPLOYEES RETIREMENT FUND**  
**Annualized Investment Results (1)**

Periods Ending June 30, 2017	<b>Annualized</b>		
	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	11.9%	5.7%	9.2%

Notes:

(1) Total fund performance, excluding variable account.

Source: Oregon Public Employees Retirement Fund System Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

## 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 14 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 2017-19 biennium that ends on June 30, 2019. The table also shows the City's advisory employer rates for the 2019-21 biennium that begins on July 1, 2019, as reported in the 2016 City Report. Actual City employer contribution rates for the 2019-21 biennium will be based on the actuarial valuation as of December 31, 2017. 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.

**Table 20**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Employer Contribution Rates for the City**  
**Percentage of Covered Payroll (1) (2)**

<b>Payrolls Paid</b>	<b>Current Rates</b>	<b>Advisory Rates</b>
	<b>2017-19</b>	<b>2019-21</b>
T1/T2	17.62%	22.76%
OPSRP General Services	10.69%	16.25%
OPSRP Police and Fire	15.46%	20.98%

Notes:

- (1) Does not include contribution rates to fund RHIA. See "OTHER POST-EMPLOYEE RETIREMENT BENEFITS – PERS Program." For FY 2016-17, one percent of the City's covered payroll for the three pension benefit programs was approximately: \$1,459,703 for T1/T2 Pension Programs; \$1,811,097 for OPSRP general services; and \$411,763 for OPSRP police and fire.
- (2) Includes adjustments for side accounts and pre-SLGRP liabilities.

Source: City of Portland, Oregon Public Employees Retirement System, and 2015 City Report and 2016 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. The City cannot predict whether any legislation or related actions will attempt to further modify the PERS System or whether such attempts would withstand legal challenge.



The City's financial plan has been updated to incorporate higher growth assumptions for PERS employer rates. For each of the next two biennia (FYs 2020 and 2021 and FYs 2022 and 2023), the financial plan assumes increases in rates for both T1/T2 and OPSRP of approximately five percentage points.

### **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 21 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 “—PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT FUND” below. In FY 2016-17, approximately 62.2 percent of the total cash contribution was for the employer share and 37.8 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 21**  
**CITY OF PORTLAND, OREGON**  
**City Contribution Related to PERS**

<b>Fiscal Year Ending June 30</b>	<b>City's Required Cash Contribution to PERS (1)</b>	<b>Debt Service on Pension Obligation Bonds</b>	<b>Total Cash Contribution for Pension Costs</b>
2008	\$32,779,658	\$19,839,413	\$52,619,071
2009	35,326,820	16,059,937	51,386,757
2010	32,598,608	14,993,873	47,592,481
2011	33,622,080	16,416,215	50,038,295
2012	45,229,731	17,740,796	62,970,527
2013	45,278,556	19,433,725	64,712,281
2014	45,868,558	21,129,361	66,997,919
2015	46,969,145	23,074,672	70,043,817
2016	55,530,023	25,350,326	80,880,349
2017	58,637,409	27,302,088	85,939,498

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: Oregon Public Employees Retirement System and City of Portland; Oregon.

**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 increases 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. 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 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.

In May 2017, Governor Kate Brown appointed a seven-member task force comprised of business leaders and individuals with public sector experience (the "Task Force") to find ways to reduce the PERS unfunded liability by at least \$5 billion over the next five years. Specifically, the Governor asked the Task Force to consider (1) assets that could be monetized, (2) one-time funding streams that could be redirected, (3) capital from other accounts that could be invested or loaned, and (4) ways to leverage similar funds from other PERS employers. The Task Force released a report on November 1, 2017, identifying options it judged to be reasonable and likely to deliver "a material reduction" in the liability, including increasing state excise taxes on alcohol sales; capturing excess state reserve funds; dedicating one-time financial "windfall" revenues to PERS; and selling one or more state universities to a private, not-for-profit entity. The City cannot predict whether any of the options identified by the Task Force will be implemented or the impact on the PERS unfunded liability.

## **Implementation of Governmental Accounting Standards Board Statement No. 68**

As reflected in its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended June 30, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68 (“GASB 68”), which significantly changed employer reporting of defined benefit pension plans for state and local governments. Under these new standards, for the fiscal year ending June 30, 2017, the City reported a net pension liability of \$568.0 million and a pension expense of \$98.0 million. See the City’s CAFR for the fiscal year ended June 30, 2017, posted on the EMMA website.

### **PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT PLAN**

#### **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. Most 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 voter revision, comprised of eleven different plan amendments, was passed November 6, 2012.

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. City Council amended the FPDR Plan three times in 2016 to provide additional benefits in compliance with arbitrators’ orders. The first amendment added a reversionary benefit when an alternate payee (a former spouse who has been granted a portion of a member’s pension) predeceases the member. The second and third amendments changed the definition of final pay used to calculate FPDR Two pension benefits. Prior to January 1, 2013, final pay was defined as pay received during a 12-month period. The City’s biweekly pay structure occasionally results in 27 pay checks, rather than the usual 26, in a 12-month period. In 2012, City of Portland voters changed the definition of final pay to include 365-366 days of pay, which is equivalent to approximately 26.1 pay checks. Arbitrators ordered the City to make whole members of the Portland Police Association, Portland Fire Fighters Association, and Portland Police Commanding Officers Association whose pensions (current or future) were reduced by the change. Council amended the City Charter to define final pay for FPDR Two members in these bargaining units as the greater of the two methods, 26.1 or 27 pay checks.

#### **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, retirement 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.

**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. Under FPDR Two, retirement benefits are provided 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. The FPDR Board has the authority to grant postretirement benefit increases to FPDR Two members, so long as the increases do not exceed increases

awarded to sworn retirees of PERS. Members enrolled in the FPDR Plan and still working 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.

**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, become FPDR Three members 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.

**Funding**

The FPDR Fund receives the proceeds of 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 and required contributions. In the event that collections from this special property tax levy are 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 2016-17, the tax loss due to Measure 5 compression was \$6.5 million, or 4.7 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. The discount rate has changed over time to reflect economic conditions. Beginning with the June 30, 2014, valuation, the discount rate is equal to the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index each year, in accordance with the requirement of Governmental Accounting Standards Board Statement No. 67 (“GASB 67”) that plans use a risk-free discount rate for the portion of the plan’s liability that is not prefunded.

**Table 22**  
**CITY OF PORTLAND, OREGON**  
**FPDR Plan -- Actuarial Assumptions and Methods**  
**For the June 30, 2016, Valuation**

Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	Market Value
Funding Policy	Pay-As-You-Go
Discount Rate	2.85%
Payroll Growth Rate	3.75%

Source: Milliman Inc., City of Portland Fire & Police Disability & Retirement (FPDR) Fund, Pension Actuarial Valuation Report as of June 30, 2016, dated January 16, 2017.

As distinguished from the pension plan for FPDR Three members, assets generally are not accumulated in the current year to pay for benefit payments in future years for the FPDR Plan. 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 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 CAFR for its fiscal year ended June 30, 2017, and required by 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, 2017, and contributed to the City’s total net position decrease from FY 2012-13 to FY 2013-14. See table entitled “Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)” on page 3286 of the City’s CAFR for its fiscal year ended June 30, 2017, which is available on the EMMA website.

**Table 23**  
**CITY OF PORTLAND, OREGON**  
**FPDR Plan --Summary of Funding Levels (1)**

<b>Fiscal Year</b>	<b>Actuarial</b>	<b>Actuarial</b>	<b>Unfunded</b>	<b>Funded</b>
	<b>Value of Assets</b>	<b>Liability</b>	<b>Actuarial Liability (1)</b>	<b>Ratio (2)</b>
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%

  

<b>Fiscal Year (3)</b>	<b>Plan Net Position, Ending</b>	<b>Total Pension Liability</b>	<b>Net Pension Liability (2)</b>	<b>Net Position as Percent of Total Liability (2)</b>
2013	\$17,155,015	\$2,517,096,534	\$2,499,941,519	0.68%
2014	20,532,924	2,473,970,866	2,453,437,942	0.83%
2015	21,876,942	2,896,894,767	2,875,017,825	0.76%
2016	17,425,353	3,391,461,315	3,374,035,962	0.51%
2017	14,150,087	3,367,105,729	3,352,955,642	0.42%

Notes:

- (1) Table reflects transition to new accounting classifications as required by the Governmental Accounting Standards Board beginning with the fiscal year ending June 30, 2013.
- (2) Does not include value of future dedicated FPDR property tax collections.
- (3) Amounts are calculated by rolling forward prior actuarial valuations. See Table 24 below for a summary of the June 30, 2014, and June 30, 2016, valuations.

Source: City of Portland audited financial statements.

Overall the total pension liability increased from \$2.47 billion on June 30, 2014, to \$3.67 billion on June 30, 2016, as shown in Table 24 below. Note that these valuations differ from results shown in Table 23 above because they are based on actual results prepared by Milliman and are not roll-forward amounts of prior valuations.

**Table 24**  
**CITY OF PORTLAND, OREGON**  
**FPDR Plan--Summary of Most Recent Actuarial Valuations**

<b>Fiscal</b>	<b>Plan</b>	<b>Total</b>	<b>Net</b>
<b>Year</b>	<b>Assets</b>	<b>Pension</b>	<b>Pension</b>
		<b>Liability</b>	<b>Liability</b>
2014	\$20,532,924	\$2,488,261,858	\$2,467,728,934
2016	17,425,353	3,689,965,110	3,672,539,757

Source: Milliman Inc., City of Portland Fire & Police Disability & Retirement (FPDR) Fund, Pension Actuarial Valuation Report as of June 30, 2016, dated January 16, 2017.

The single largest driver of the higher liability is the discount rate (the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index each year). The rate dropped from 4.29 percent on June 30, 2014, to 2.85 percent on June 30, 2016, resulting in a \$574 million increase in the plan liability. As described above, the FPDR Plan provides that FPDR Two postretirement benefit increases cannot exceed the postretirement benefit increases for PERS sworn retirees. For the 2014 valuation, these adjustments were based on the PERS COLA as modified by the 2013 PERS Bills, which reduced the maximum COLA from 2.0 percent to 1.25 percent. However, the lower COLA was invalidated by the Oregon Supreme Court in 2015, insofar as it applies to benefits that members earned before the effective dates of the 2013 changes (see “—Recent Developments Related to PERS”). The PERS Board subsequently adopted a blended COLA, which applies up to 2.0 percent for the percentage of service credited before October 2013 and 1.25 percent for later service. The FPDR Board chose a similar COLA methodology beginning in 2015 and directed the actuaries to assume this methodology continues for purposes of the 2016 valuation. The higher COLA assumption increased the liability by \$289 million between June 30, 2014, and June 30, 2016. A final significant change was an update to the plan’s mortality assumptions, which the FPDR Board has decided will mirror the mortality experience in the larger pool of PERS sworn members. Longer life expectancies for retirees increased the liability by another \$147 million.

**FPDR Fund and Levy Adequacy**

A critical measure of the FPDR Fund’s financial health is whether the dedicated property tax will ever be insufficient to fully cover expenditures both for the pay-as-you-go FPDR Plan and the pre-funded OPSRP plan. The table below compares the certified tax levy for FPDR Plan contributions (for FPDR One and FPDR Two participants) and OPSRP contributions (for FPDR Three participants) with the amount authorized based on the \$2.80/\$1,000 Charter limitation. Between FY 2008-09 and FY 2017-18, Real Market Value of property subject to taxation has grown by a compounded annual rate of approximately 4.8 percent.

**Table 25**  
**CITY OF PORTLAND, OREGON**  
**FPDR Fund--Certified Levies Compared with Maximum Levies Authorized**

<b>FYE June 30</b>	<b>Tax Levy per \$1,000 RMV</b>	<b>Certified Tax Levy (1)</b>	<b>Maximum Levy Authorized (\$2.80/1,000 RMV)</b>	<b>Amount Available to be Certified from Authorized Levy</b>
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
2017	1.15	138,900,728	338,199,473	199,298,745
2018	1.13	155,551,693	384,951,394	229,399,701

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 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 26**  
**CITY OF PORTLAND, OREGON**  
**FPDR Fund--Imposed Levies and Expenditures for**  
**Pension Benefits and Death/Disability Benefits**

<b>FYE June 30</b>	<b>Imposed Tax Levy (1)</b>	<b>FPDR One &amp; Two Pension Benefits</b>	<b>FPDR Three OPSRP Contributions</b>	<b>Disability &amp; Funeral Benefits</b>	<b>Total FPDR Benefit Contributions</b>
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
2016	126,376,817	107,074,899	8,699,501	6,420,506	122,194,906
2017	132,477,613	113,826,622	9,672,695	6,525,351	130,024,668

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, 2016. The Levy Adequacy Analysis found that, under a wide range of simulated economic scenarios over the next 20 years, 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 fewer than three percent of modeled scenarios. This represents a decline from approximately four percent of modeled scenarios in the prior analysis as of June 30, 2014. Real Market Values in the City’s tax base have grown by more than enough to offset more expensive plan benefits. The first year in which the percent of scenarios exceeding the levy limit reaches the one percent level is FY 2031-32. Pay-as-you-go costs peak in FY 2036-37 in nominal terms; the peak on an inflation-adjusted basis is in FY 2031-32.

The table below shows projected levy rates and taxes levied at the 50<sup>th</sup> and 5<sup>th</sup> percentiles for FY 2016-17 through FY 2035-36 as included in the 2016 Levy Adequacy Analysis. Note that the actual levy rate in FY 2016-17 was \$1.15 per \$1,000 of Real Market Value.



**Table 27**  
**CITY OF PORTLAND, OREGON**  
**FPDR Fund--Projected Levy Rate, Taxes and Requirements**

<b>Fiscal Year Ended June 30</b>	<b>Levy Rate at 50th Percentile</b>	<b>Taxes Levied at 50th Percentile</b>	<b>Levy Rate at 5th Percentile</b>	<b>Taxes Levied at 5th Percentile</b>
2017	\$1.18	\$143,100,000	\$1.18	\$143,100,000
2018	1.13	150,100,000	1.13	150,100,000
2019	1.13	157,300,000	1.27	158,700,000
2020	1.18	170,300,000	1.39	173,800,000
2021	1.19	179,100,000	1.45	183,500,000
2022	1.23	194,400,000	1.59	203,700,000
2023	1.24	204,400,000	1.65	215,200,000
2024	1.25	216,700,000	1.75	234,000,000
2025	1.26	229,000,000	1.82	248,400,000
2026	1.28	243,000,000	1.91	267,700,000
2027	1.30	257,000,000	1.95	284,800,000
2028	1.31	271,100,000	2.03	304,100,000
2029	1.31	284,900,000	2.07	321,900,000
2030	1.37	311,600,000	2.22	354,300,000
2031	1.37	325,900,000	2.26	372,100,000
2032	1.36	339,000,000	2.32	392,700,000
2033	1.35	352,200,000	2.34	409,800,000
2034	1.33	362,200,000	2.38	428,700,000
2035	1.30	372,400,000	2.37	443,000,000
2036	1.21	361,700,000	2.27	437,600,000

Notes:

- (1) Results are expressed as a probability distribution. Amounts shown in table are median values within percentile categories. Actual rates for FY 2016-17 and FY 2017-18 are found in the table entitled "FPDR Fund—Certified Levies Compared with Maximum Levies Authorized."

Source: Milliman, Inc., FPDR Levy Adequacy Analysis as of June 30, 2016, dated January 24, 2017.

The current analysis extends through FY 2035-36 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 2016 City Report, the City's allocated share of the RHIA program's UAL was (\$49,405) as of December 31, 2016.

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 2015 City Report, the 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 20 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 five to eight percent for health insurance, 4.2 percent to 4.5 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, 2015 (the date of the most recent actuarial valuation), is estimated to be \$79,452,502. The unfunded actuarial accrued liability as a percentage of covered payroll is 18 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, 2017.

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 2016-17, the amount to be recognized as the annual employer OPEB cost was \$6,040,714. For fiscal year ended June 30, 2016, the City benefits paid on behalf of retirees exceeded the premiums they paid by \$1,091,154. The City elected to not pre-fund the FY 2016-17 annual OPEB cost. The amount unfunded in FY 2016-17 is \$44,193,928, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2016-17 along with interest on the net OPEB obligation and adjustments, less payments made in relation to the FY 2016-17 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**

No litigation is pending or threatened which would, if successfully prosecuted against the City or the Portland Development Commission, materially and adversely affect the outstanding bonds or the Tax Increment Revenues.

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**APPENDIX**  
**AUDITED FINANCIAL STATEMENTS**

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## INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2013, 2014, 2015, 2016 and 2017. 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 are excerpted from the City's Comprehensive Annual Financial Reports of the City for Fiscal Years ending June 30, 2013 through June 30, 2017.

**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**  
**Lents Town Center Urban Renewal Area Debt Redemption Fund**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**Generally Accepted Accounting Principles Basis**

	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b>Revenues</b>					
Taxes	\$10,214,835	\$11,605,058	\$12,789,045	\$12,284,761	\$14,258,746
Investment earnings	18,379	39,507	41,281	78,409	72,879
<b>Total Revenues</b>	<b>10,233,214</b>	<b>11,644,565</b>	<b>12,830,326</b>	<b>13,363,170</b>	<b>14,331,625</b>
<b>Expenditures</b>					
Debt Service:					
Principal	1,190,000	1,235,000	1,292,882	1,350,000	1,425,000
Interest	1,838,885	1,797,489	1,748,357	1,689,710	1,609,572
	--	2,882	--	--	--
<b>Total Expenditures</b>	<b>3,028,885</b>	<b>3,035,371</b>	<b>3,041,239</b>	<b>3,039,710</b>	<b>3,034,572</b>
Revenues Over (Under) Expenditures	7,204,329	8,609,194	9,789,087	10,323,460	11,297,053
<b>Other Financing Sources (Uses)</b>					
Transfers in	--	--	--	--	--
Transfers out	(7,305,000)	(8,620,000)	(9,000,000)	(10,000,000)	(10,000,000)
Bonds and notes issued	--	2,882	--	--	--
<b>Total other financing sources (uses)</b>	<b>(7,305,000)</b>	<b>(8,617,118)</b>	<b>(9,000,000)</b>	<b>(10,000,000)</b>	<b>(10,000,000)</b>
Net change in fund balances	(100,671)	(7,924)	789,087	323,460	1,297,053
<b>Fund Balance (Beginning of Year)</b>	<b>3,334,921</b>	<b>3,234,250</b>	<b>3,226,326</b>	<b>4,015,413</b>	<b>4,338,873</b>
<b>Fund Balance (End of Year)</b>	<b>\$3,234,250</b>	<b>\$3,226,326</b>	<b>\$4,015,413</b>	<b>\$4,338,873</b>	<b>\$5,635,926</b>

Source: City of Portland audited financial statements.

**CITY OF PORTLAND, OREGON**  
**Lents Town Center Urban Renewal Area Debt Redemption Fund**  
**CONSECUTIVE BALANCE SHEETS**  
**As of June 30**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>ASSETS</b>					
Restricted:					
Cash and investments	\$3,059,853	\$3,064,859	\$3,846,941	\$4,150,888	\$5,441,263
Receivables:					
Property taxes	666,240	736,888	858,768	816,059	938,344
Accrued interest receivable	13,942	7,853	14,521	23,258	24,986
Total assets	<u>\$3,740,035</u>	<u>\$3,809,600</u>	<u>\$4,720,230</u>	<u>\$4,990,205</u>	<u>\$6,404,593</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Deferred inflows of resources:					
Unavailable revenue - restricted	\$505,785	\$583,274	\$704,817	\$651,332	\$768,667
Total deferred inflows of resources	<u>505,785</u>	<u>583,274</u>	<u>704,817</u>	<u>651,332</u>	<u>768,667</u>
Fund balances:					
Restricted	3,234,250	3,226,326	4,015,413	4,338,873	5,635,926
Total fund balances	<u>3,234,250</u>	<u>3,226,326</u>	<u>4,015,413</u>	<u>4,338,873</u>	<u>5,635,926</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$3,740,035</u>	<u>\$3,809,600</u>	<u>\$4,720,230</u>	<u>\$4,990,205</u>	<u>\$6,404,593</u>

Source: City of Portland audited financial statements.

