

ANNUAL DISCLOSURE INFORMATION

Pertaining to
City of Portland, Oregon



\$7,660,565

Lents Town Center
Urban Renewal and Redevelopment Bonds
2020 Series A (Federally Taxable)
Dated April 16, 2020

\$15,725,748

Lents Town Center
Urban Renewal and Redevelopment Bonds
2020 Series B (Tax Exempt)
Dated April 16, 2020

December 31, 2021

MATURITY SCHEDULES

\$7,660,565*

**Lents Town Center
Urban Renewal and Redevelopment Bonds
2020 Series A (Federally Taxable)**

<u>Due June 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2022	\$2,553,323	1.54%
2023	2,592,644	1.54
	<hr/>	
	\$5,145,967	

\$15,725,748*

**Lents Town Center
Urban Renewal and Redevelopment Bonds
2020 Series B (Tax Exempt)**

<u>Due June 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2023	\$2,632,571	1.86%
2023	2,681,536	1.86
2024	2,731,413	1.86
2025	2,782,217	1.86
2026	2,833,966	1.86
2027	2,064,045	1.86
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	\$15,725,748	

*Original par amount.

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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 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. In FY 2018-19 higher Assessed Value for utility property includes increases in CenturyLink value of \$4.1 million and Portland General Electric value of \$3.2 million. In FY 2019-20, the increase in Assessed Value was largely due to expiration of a property tax exemption of property owned by Bridgetown Natural Foods. The property is located in an enterprise zone and had qualified for a five-year exemption, which has expired.

Table 1
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
HISTORICAL TRENDS IN REAL MARKET AND ASSESSED VALUES
BY PROPERTY TYPE
(FY 2017-18 through FY 2021-22)

Property Type	REAL MARKET VALUE				
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Real	\$3,397,522,360	\$3,797,431,840	\$3,962,857,100	\$4,141,513,120	\$4,388,859,930
Personal	53,937,840	51,898,390	52,819,690	52,048,980	50,204,650
Machinery/Equip.	19,781,700	22,404,950	20,704,530	18,323,300	17,943,690
Manufactured	3,678,000	4,355,120	4,246,120	4,440,970	4,853,080
Utility	33,117,155	45,538,331	43,382,100	46,918,794	46,130,563
Total	\$3,508,037,055	\$3,921,628,631	\$4,084,009,540	\$4,263,245,164	\$4,507,991,913
<i>% Change</i>	<i>13.5%</i>	<i>11.8%</i>	<i>4.1%</i>	<i>4.4%</i>	<i>5.7%</i>
Property Type	ASSESSED VALUE ("AV")				
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Real	\$1,452,471,202	\$1,509,840,720	\$1,573,874,050	\$1,624,995,410	\$1,682,474,740
Personal	50,736,070	49,942,030	50,688,450	50,270,910	48,161,770
Machinery/Equip.	8,380,950	8,242,760	12,045,680	9,194,150	9,358,240
Manufactured	2,647,150	3,179,970	3,050,730	3,114,540	3,379,380
Utility	32,541,681	45,538,200	43,382,100	46,882,700	45,778,500
Total	\$1,546,777,053	\$1,616,743,680	\$1,683,041,010	\$1,734,457,710	\$1,789,152,630
<i>% Change</i>	<i>4.3%</i>	<i>4.5%</i>	<i>4.1%</i>	<i>3.1%</i>	<i>3.2%</i>
Less: Frozen Base	(\$736,224,033)	(\$736,224,033)	(\$736,224,033)	(\$736,224,033)	(\$736,224,033)
Incremental AV	\$810,553,020	\$880,519,647	\$946,816,977	\$998,233,677	\$1,052,928,597
<i>% Change</i>	<i>8.6%</i>	<i>8.6%</i>	<i>7.5%</i>	<i>5.4%</i>	<i>5.5%</i>

Source: Multnomah County Division of Assessment, Recording and Taxation

The table below shows Assessed Value (“AV”) from FY 2012-13 through FY 2021-22.

Table 2
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
HISTORICAL ASSESSED VALUE
(FY 2012-13 through FY 2021-22)

Fiscal Year	Frozen Base	Incremental Value	% Change Incremental AV	Total Assessed Value	% Change Total AV
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%
2018-19	736,224,033	880,519,647	8.6%	1,616,743,680	4.5%
2019-20	736,224,033	946,816,977	7.5%	1,683,041,010	4.1%
2020-21	736,224,033	998,233,677	5.4%	1,734,457,710	3.1%
2021-22	736,224,033	1,052,928,597	5.5%	1,789,152,630	3.2%

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)

Property Type	Fiscal Year Ending June 30				
	2017-18	2018-19 ⁽¹⁾	2019-20	2020-21	2021-22
Residential	0.5004	0.4900	0.4900	0.5010	0.4790
Commercial/Local Industrial	0.4466	0.3870	0.3920	0.4080	0.4100
State Industrial	1.0000	1.0000	1.0000	1.0000	1.0000
Multi-Family	0.3297	0.3500	0.3520	0.3580	0.3770
Recreational	0.7572	0.7160	0.7160	0.7290	0.7150
Machinery and Equipment	1.0000	1.0000	1.0000	1.0000	1.0000
Miscellaneous	0.6588	0.7410	0.7270	0.6780	0.7070
Personal Property	1.0000	1.0000	1.0000	1.0000	1.0000

(1) In 2017, the Oregon Legislature passed House Bill 2088, which allows cities, if the majority of the population of the city resides in a county with a population greater than 700,000, the option of computing the Changed Property Ratio based upon a city area rather than using the existing law framework of the countywide Changed Property Ratio. Beginning in FY 2018-19, the cities of Gresham and Wood Village opted to have a Changed Property Ratio separate from Multnomah County.

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. 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 2021-22)

Property Class	Assessed Value	% of Total	Real Market Value	AV/Real Market Value Ratio
Real Property				
Residential Property	\$1,158,038,260	64.7%	\$2,756,983,890	42.0%
Commercial/Industrial (County Assessed)	402,490,780	22.5%	1,208,363,610	33.3%
Multiple Family Housing	116,113,220	6.5%	384,167,770	30.2%
Other	607,660	0.0%	27,943,910	2.2%
Subtotal	1,677,249,920	93.7%	4,377,459,180	
Personal Property	48,161,770	2.7%	50,204,650	95.9%
Machinery/Equipment	9,358,240	0.5%	17,943,690	52.2%
Manufactured Structures				
Real Property	5,224,820	0.3%	11,400,750	45.8%
Personal Property	3,379,380	0.2%	4,853,080	69.6%
Utilities	45,778,500	2.6%	46,130,563	99.2%
TOTAL	\$1,789,152,630	100.0%	\$4,507,991,913	

Source: "Table 7a – TAXABLE ASSESSED VALUE AND REAL MARKET VALUE BY PROPERTY CLASS, Tax Year 2021-22," 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. As established by the Oregon Constitution, Assessed Value for existing properties, absent of improvements, may grow at an annual rate of three percent to an upper limit of the Real Market Value.

Table 5
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
ASSESSED TO REAL MARKET VALUE RATIOS
(FY 2021-22)

AV/RMV Ratio	Assessed Value	Percent of Total	Cumulative Percent of Total
Under 30%	\$66,760,480	3.7%	3.7%
30 - 39%	388,132,300	21.7%	25.4%
40 - 49%	783,677,920	43.8%	69.2%
50 - 59%	284,792,710	15.9%	85.1%
60 - 69%	75,939,260	4.2%	89.4%
70 - 79%	23,245,580	1.3%	90.7%
80 - 89%	24,621,490	1.4%	92.1%
90 - 99%	27,995,360	1.6%	93.6%
100%	113,987,530	6.4%	100.0%
TOTAL	\$1,789,152,630	100.0%	

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

Company Name	Type of Business/Use	2021-22 Assessed Value	Percent of Total Assessed Value
Total Lents Town Center		\$1,789,152,630	100.0%
Eastport Plaza Shopping Center	Retail	42,730,060	2.4%
Walmart Real Estate Business	Retail	19,410,710	1.1%
Portland General Electric	Energy	18,440,000	1.0%
Powell Street Limited Partnership	Retail	15,873,250	0.9%
BRE Jupiter Foster Commerce LLC	Warehouse	13,656,260	0.8%
Emmerts 82nd Ave Properties LLC	Retail	9,893,850	0.6%
Bridgetown Natural Foods LLC	Food product manufacturer	9,119,540	0.5%
Lumen Technologies LLC	Communication	9,066,000	0.5%
Northwest Natural Gas Co	Energy	5,111,000	0.3%
CF Albert Propco III LLC	Grocery	5,077,400	0.3%
		\$148,378,070	8.3%

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 table shows the breakdown of tax rates attributable to each Levy Code Area making up the Area and the blended consolidated billing tax rate, calculated as a weighted average of the tax rates for each of these Levy Code Areas, over the past five years. 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 2021-22, Levy Code Area 703 represented approximately 70 percent of the Area’s Incremental Assessed Value, Levy Code Area 705 represented 30 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⁾**

Fiscal Year Ending June 30	703	704	705	Blended Consolidated Tax Rate
2018	22.2462	20.7565	20.6432	21.7426
2019	22.5793	21.0202	20.8245	22.0449
2020	22.5964	21.0638	20.8705	22.0710
2021	22.8067	21.1291	20.9410	22.2473
2022	23.5028	21.8736	21.7022	22.9599

(1) Rate per \$1,000 of Assessed Value.
Source: Multnomah County Division of Assessment, Recording and Taxation and City of Portland

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 2021-22, 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 \$23,009,738 from the authorized amount of \$24,175,115, or by about 4.8 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

Fiscal Year	Divide the Taxes Revenue To Raise⁽¹⁾	Divide the Taxes Revenues Imposed⁽²⁾	Losses Due Compression and Other Factors
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	14,581,203	13,700,744	6.0%
2017-18	17,623,569	16,762,546	4.9%
2018-19	19,410,948	18,534,328	4.5%
2019-20	20,897,205	19,939,667	4.6%
2020-21	22,208,002	21,082,852	5.1%
2021-22	24,175,115	23,009,738	4.8%

(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**

Fiscal Year Ending June 30	Total Levy (000) ⁽¹⁾	Collected Yr. of Levy ⁽²⁾⁽³⁾	Collected as of 12/31/2021 ⁽²⁾⁽³⁾
2013	\$452,453	97.2%	100.0%
2014	467,516	97.3	100.0
2015	490,540	97.6	100.0
2016	516,334	97.8	100.0
2017	551,135	98.0	100.0
2018	600,155	98.4	99.9
2019	634,371	98.5	99.8
2020	654,447	98.5	99.6
2021	700,311	98.7	99.3
2022	752,923	93.1	93.1

(1) The total levy includes all taxes levied by the City, including from its permanent rate, the FPDR levy, bond levies, and the Children’s local option levy. Also includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression. Also includes miscellaneous taxes, penalties, and corrections included in the fiscal year property tax receivable.

(2) 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. Amounts to be collected are adjusted 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 associated with the FY 2020-21 tax levy represented about 2.6% of that year’s levy.

(3) Partial year collections.

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)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Tax Increment Revenues					
Tax Collections (Current Year)	\$14,092,653	\$15,900,239	\$17,826,998	\$19,048,182	\$20,268,302
Tax Collections (Prior Years) ⁽¹⁾	166,093	189,171	508,270	146,023	200,186
Investment Earnings/Other	103,805	163,300	289,974	345,920	188,053
TOTAL	\$14,362,551	\$16,252,710	\$18,625,242	\$19,540,125	\$20,656,541
Annual Debt Service					
Parity Indebtedness	\$3,029,507	\$3,032,085	\$3,029,747	\$2,958,770	\$2,925,070

(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	2016-17	2017-18	2018-19	2019-20	2020-21
Real Market Value	\$3,090,751,551	\$3,508,037,055	\$3,921,628,631	\$4,084,009,540	\$4,263,245,164
Assessed Value:					
Frozen Base	\$736,224,033	\$736,224,033	\$736,224,033	\$736,224,033	\$736,224,033
Incremental Assessed Value	746,610,587	810,553,020	880,519,647	946,816,977	998,233,677
Total Assessed Value	\$1,482,834,620	\$1,546,777,053	\$1,616,743,680	\$1,683,041,010	\$1,734,457,710
Consolidated Tax Rate⁽¹⁾	\$20.7651	\$21.7426	\$22.0449	\$22.0710	\$22.2473
Taxes to be Raised	15,503,425	17,623,569	19,410,948	20,897,205	\$22,208,002
Less Compression	(751,850)	(862,159)	(876,620)	(957,538)	(1,125,150)
Taxes Imposed	14,751,575	16,761,409	18,534,328	19,939,667	21,082,852
Less Delinquencies/ Discounts	(658,922)	(861,170)	(707,330)	(891,485)	(814,550)
Net Divide the Taxes Revenues	\$14,092,653	\$15,900,239	\$17,826,998	\$19,048,182	\$20,268,302
Debt Service:					
2010 Series A (Taxable)	\$2,263,920	\$2,266,498	\$2,264,159	\$2,243,653	\$2,632,571
2010 Series B (Tax Exempt)	765,588	765,588	765,588	715,116	292,499
Total	\$3,029,508	\$3,032,085	\$3,029,747	\$2,958,770	\$2,925,070
Debt Service Coverage (x)	4.65	5.24	5.88	6.44	6.93

(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 31, 2021.

Table 12
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
OUTSTANDING LONG-TERM DEBT AS OF DECEMBER 31, 2021

Issue Name	Dated Date	Maturity Date	Amount Issued	Amount Outstanding
Lents Town Center Urban Renewal and Redevelopment Bonds, 2020 Series A	4/16/2020	6/15/2024	\$7,660,565	\$5,145,967
Lents Town Center Urban Renewal and Redevelopment Bonds, 2020 Series B	4/16/2020	6/15/2030	\$15,725,748	\$15,725,748
Total			<u>\$23,386,313</u>	<u>\$20,871,715</u>

Source: City of Portland

As of the date of this Annual Disclosure document, a total \$7,810,148 was outstanding on a \$15,820,000 line of credit secured solely 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 \$9,852 of additional financing capacity remained on that line through December 30, 2022.

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 31, 2021.

Table 13
CITY OF PORTLAND, OREGON
Lents Town Center Urban Renewal Area
MAXIMUM INDEBTEDNESS, AMOUNTS ISSUED, AND AMOUNTS REMAINING
(as of December 31, 2021)

Maximum Indebtedness Amount	\$245,000,000
Less: Long-Term Debt Issued ⁽¹⁾	(52,803,031)
Taxable Short-Term Debt Issued ⁽²⁾	<u>(159,959,895)</u>
Remaining Maximum Indebtedness	<u>\$32,237,074</u>

(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 2020-21.

A complete copy of the City's FY 2020-21 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 generally accepted accounting principles 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 City Budget Office coordinates the budget development process. City bureaus generally prepare and submit budget requests, five-year financial plans and capital improvement plans. The City Budget Office reviews this information and prepares budget analysis reports for the Mayor and City Council, which summarize the budget requests and highlight issues that may be of particular concern to the City Council, the relevant bureau, or the City Budget Office. 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.

Bureau budget requests are reviewed by the Mayor and City Council, 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 Multnomah County 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 City Council no later than June 30. All committee meetings and budget hearings are open to the public.

The City 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. On January 8, 2014, the City Council approved a partnership agreement between the City and the Citizens' Utility Board of Oregon (the "CUB"). The CUB is a non-profit organization created in 1984 by a citizens' ballot initiative to represent the interests of residential utility ratepayers statewide. As part of the partnership, CUB provided outside, independent analysis of the operations, budgets, and rates of the City's two utility bureaus, the Water Bureau and the Bureau of Environmental Services. The partnership agreement with the CUB expired at the end of FY 2020-21 and CUB chose not to renew it due in part to internal restructuring at CUB. They also cited strong bureau management, positive public perception, and Portland Utility Board (the "PUB") oversight of both bureaus as influencing this decision.

On June 10, 2015, the City Council approved creation of the PUB, a new citizen oversight panel, for the Portland Water Bureau and Bureau of Environmental Services. The PUB, 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.

Changes after the budget is adopted are completed through the budget monitoring process ("BMP") and the over-expenditure ordinance ("OEO"). These processes provide City Council the opportunity to change the budget several times per year. The Fall BMP is designed to give the City Council and the public a summary of prior year activity and to make adjustments to the current fiscal year budget. The Spring BMP focuses on project spending and performance estimates for the remainder of the fiscal year and also provides an opportunity to make budget adjustments. The OEO occurs during the month of June and is narrowly focused on addressing fund and program over-expenditures and interfund loans to ensure that funds do not end the fiscal year with negative cash or fund balances.

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 Division and independent actuarial studies. Liabilities are based on an estimated ultimate cost of settling claims, including effects of inflation and other social and economic factors. The 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 FY 2020-21, the expected rate of return was 0.75 percent. For FY 2021-22 and subsequent years, the expected rate of return used is 0.50 percent. 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. Police Law Enforcement Liability retention increased to \$2.5 million for claims occurring after November 12, 2013.

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, 2021, and before July 1, 2022, limitations are \$782,600 for single claimant and \$1.565 million for multiple claimants.

Per ORS 30.273 limitations on liability of public bodies for property damage arising on or after July 1, 2021 and before July 1, 2022, limitations are \$128,400 for single claimant and 641,800 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 for 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:

	FY 2020-21	FY 2019-20
Balance, beginning of fiscal year	\$29,637,377	\$32,420,911
Incurred claims and adjustments	73,057,063	61,096,633
Claim cash payments	(68,634,832)	(63,880,167)
Unpaid claims, end of fiscal year	<u>\$34,059,608</u>	<u>\$29,637,377</u>

CYBERSECURITY

The City, like other large public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City’s information technology systems to misappropriate assets or information or to cause operational disruption and damage.

To reduce and mitigate the risk of business operations impact and/or damage from cybersecurity incidents the City has invested in multiple forms of cybersecurity and operational safeguards, including adopting the National Institute of Standards and Technology Cybersecurity Framework to support, maintain, and prioritize securing critical infrastructure and data systems, manage risk, and improve cybersecurity incident detection and remediation. Under the leadership of the City’s Senior Information Security Officer, the City’s Bureau of Technology Services has established a cybersecurity team which is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and which aligns with and supports the cybersecurity risk posture of the City. Additionally, all information security related standards, policies and administrative rules are reviewed annually.

As a recipient and provider of personal and confidential information, the City has been the subject of cybersecurity incidents that have resulted in, or could have resulted in, adverse consequences to the City’s confidential information and technologies and that required a response action to mitigate potential consequences. The City has not experienced a reportable compromise of its network security in the past three years. Low-level distributed denial of service attacks are commonplace and not a threat to the City. Larger internet service denial attacks continue less frequently, but during 2021 there were no disruptions to Citywide internet services. The City leverages multiple defense capabilities to protect against such attacks which greatly reduces the likelihood of a successful attack. With the adoption of multi-factor authentication in January 2019 the City has substantially reduced the potential compromise of City confidential information. The City also engages in proactive testing of its network security.

The City’s cybersecurity and operational safeguards are periodically internally and externally tested and assessed by external auditors; however the City cannot assure that these measures will prevent all potential cybersecurity attacks, and accompanying disruptions and costs. To offset some of the potential financial costs and risks associated with a breach, the City’s Risk Management Division obtained a cyber-liability insurance policy. The policy provides coverage for privacy liability, data breaches, network security liability and internet media liability to the extent the City is liable. Certain business expenses related to cybersecurity incidents are covered, such as business interruption expenses and costs to recover, restore or replace lost data. The policy provides limited coverage for “social engineering losses”, such as losses resulting from bad actors manipulating employees into performing actions such as wiring finances to banks. Additional limited social engineering coverage is provided separately under the City’s Crime Policy.

LABOR RELATIONS

The City employs approximately 6,781 full-time equivalent personnel. Of these, approximately 4,910 are represented by collective bargaining units.

Table 14
CITY OF PORTLAND, OREGON
Bargaining Units and Contract Status

Collective Bargaining Unit	Number of Employees⁽¹⁾	Contracts & MOUs Expire
District Council of Trade Unions (DCTU) ⁽²⁾	1,205	December 31, 2024
Portland Police Association	767	June 30, 2025
Professional and Technical Employees Local 17	864	December 31, 2021 ⁽³⁾
Portland Fire Fighters Association	653	June 30, 2023
Laborers' International Union of North America Local 483 - Portland City Laborers	595	June 30, 2022
Laborers' International Union of North America Local 483 - Parks and Recreation	606	June 30, 2022
Bureau of Emergency Communications - AFSCME Local 189-2	111	June 30, 2023 ⁽⁴⁾
Auditor's Office – AFSCME Local 189-2	34	n/a ⁽⁵⁾
Laborers' International Union of North America Local 483 - Seasonal Maintenance Workers	55	June 30, 2022
Portland Police Commanding Officers Association (PPCOA)	20	June 30, 2023

(1) Number of employees refers to number of filled full-time equivalent positions.

(2) DCTU includes DCTU IBEW Local 48; DCTU- Auto Mechanics, District Lodge 24; DCTU-Operating Engineers Local 701; DCTU- Painters and Allied Trades, District Council 5; and DCTU Plumbers Local 290.

(3) This contract is currently under negotiation.

(4) Does not include 34 employees from the Auditors Office, who are now represented by AFSCME Local 189-2. See footnote (5) below.

(5) Auditors Office, who are now represented by AFSCME Local 189-2, will represent 34 employees. The City is currently bargaining a new first time contract with those employees.

Source: *City of Portland*

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 by the Public Employees Retirement Board (the “PERS Board”) under ORS Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). 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 PLAN” below.

Benefit Programs

Employees hired before January 1, 1996, are known as “Tier 1” participants. The retirement benefits applicable to Tier 1 participants are based on a defined benefit model. Tier 1 has a normal retirement age of 58 and an assumed earnings rate guarantee of 6.90 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, 2021, the balance of this reserve was \$448.8 million. As of June 30, 2021, there were 13,991 active plan members, 129,357 retired plan members or their beneficiaries currently receiving benefits, and 9,103 inactive plan members entitled to but not yet receiving benefits, for a total of 152,451 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, 2021, there were 29,322 active plan members, 18,832 retired plan members or their beneficiaries currently receiving benefits, and 13,498 inactive plan members entitled to but not yet receiving benefits, for a total of 61,652 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, 2021, there were 136,785 active plan members, 8,311 retired plan members or their beneficiaries currently receiving benefits, 7,520 inactive plan members entitled to but not yet receiving benefits, and 18,263 inactive plan members not eligible for refund or retirement, for a total of 170,879 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. Pursuant to Senate Bill 1049 adopted in the 2019 Legislative Session and effective July 1, 2020, a portion of the contributions previously made to the IAP will be redirected to an “Employee Pension Stability Account” for certain PERS employees. See “—Recent Developments Related to PERS” below.

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 “OTHER POST-EMPLOYMENT RETIREMENT BENEFITS (“OPEB”)” 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. The following table shows certain methods and assumptions adopted by the PERS Board, which are the basis for the actuarial valuations.

Table 15
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Actuarial Assumptions and Methods

ASSUMPTION/METHOD	2018 & 2019 VALUATIONS⁽¹⁾	2020 VALUATION⁽⁴⁾
Actuarial Cost Method:	Entry Age Normal	Unchanged
UAL Method: T1/T2 Programs	Level Percentage of Payroll over 20 years (fixed) ⁽²⁾	Unchanged
OPSRP	Level Percentage of Payroll over 16 years (fixed)	Unchanged
Asset Valuation Method:	Market Value ⁽³⁾	Unchanged
Investment Rate of Return:	7.20%	6.90%
Payroll Growth Rate:	3.50%	3.40%
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.	Contribution rate may increase by 3% of payroll for the T1/T2 UAL rate and 1% of pay for OPSRP rate. UAL rate not allowed to decrease until the SLGRP's funded percentage excluding side accounts is over 87% and a full collar width decrease is not allowed until funded status reaches at least 90%.

- (1) Assumptions and methods adopted by the PERS Board on October 4, 2019 that apply to actuarial valuations as of December 31, 2018 and as of December 31, 2019.
- (2) See information regarding the one-time amortization of the unfunded actuarial liability as of December 31, 2019 as described in “—PENSION PLANS: OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM – Recent Developments Related to PERS.”
- (3) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).
- (4) Assumptions and methods adopted by the PERS Board on October 1, 2021 that apply to actuarial valuations as of December 31, 2020 and as of December 31, 2021.

Source: *Oregon Public Employees Retirement System*

Milliman released its 2018 valuation for the Statewide PERS System as of December 31, 2018 (the “2018 System Valuation”) on December 12, 2019, its 2019 valuation for the Statewide PERS System as of December 31, 2019 (the “2019 System Valuation”) on September 17, 2020, and its 2020 valuation for the Statewide PERS System as of December 31, 2020 (the “2020 System Valuation”) on December 9, 2021. These reports include system-wide actuarial valuations for the T1/T2 Pension Programs and OPSRP.

Milliman released the City’s individual 2018 valuation as of December 31, 2018 (the “2018 City Valuation”) in December 2019, the City’s individual 2019 valuation as of December 31, 2019 (the “2019 City Valuation”) in October 2020, and the City’s individual 2020 valuation as of December 31, 2020 (the “2020 City Valuation”) in December 2021. 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 16
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of Statewide PERS System Funding Levels
(\$ in Millions)⁽¹⁾

STATEWIDE PERS SYSTEM				
Calendar Year	Actuarial Value of Assets⁽²⁾	Actuarial Liability	Unfunded Actuarial Liability	Funded Ratio (%)
2011	\$43,238.8	\$61,198.4	\$17,959.6	76.1
2012 ⁽³⁾	49,265.9	60,405.2	11,139.3	81.6
2013 ⁽³⁾	54,090.1	62,593.6	8,503.5	86.4
2014 ⁽⁴⁾	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
2017	61,764.9	84,056.1	22,291.2	73.5
2018	59,593.0	86,574.7	26,981.7	68.8
2019	64,842.2	89,445.7	24,603.5	72.5
2020	67,256.6	95,300.4	28,043.8	70.6

- (1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA.
- (2) Does not take into account offsets for deposits made by individual employers from bond proceeds or cash on hand in side accounts
- (3) Reflects the legislative changes enacted by the Oregon Legislative Assembly in 2013 (the “2013 PERS Bills”) to reduce future benefit payments, resulting in a reduction of the PERS unfunded actuarial liability by approximately \$5 billion.
- (4) In April 2015, the Oregon Supreme Court announced a decision on lawsuits challenging the provisions of the 2013 PERS Bills. The decision upheld the elimination of a benefit increase for out-of-state retirees but declared other benefit reductions unconstitutional as applied to benefits earned prior to the June 1, 2013 effective date of the 2013 PERS Bills.

Source: Oregon Public Employees Retirement System

Table 17
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 (%)
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
2017	2,171.1	2,776.3	605.2	78.2
2018	2,202.1	3,048.8	846.8	72.2
2019	2,468.6	3,286.6	818.0	75.1
2020	2,528.2	3,498.6	970.4	72.3

- (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 pre-SLGRP and transition liabilities/surpluses created when the City joined the prior local government rate pool and the SLGRP.
- (2) Reflects the legislative changes enacted by the Oregon Legislative Assembly in 2013 (the "2013 PERS Bills") to reduce future benefit payments, resulting in a reduction of the PERS unfunded actuarial liability by approximately \$5 billion.
- (3) In April 2015, the Oregon Supreme Court announced a decision on lawsuits challenging the provisions of the 2013 PERS Bills. The decision upheld the elimination of a benefit increase for out-of-state retirees but declared other benefit reductions unconstitutional as applied to benefits earned prior to the June 1, 2013 effective date of the 2013 PERS Bills.

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 18
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 (%)
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
2017	384,409,335	605,231,941	157
2018	434,168,788	846,761,641	195
2019	477,067,656	817,975,831	171
2020	495,959,286	970,377,914	196

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. The COVID-19 pandemic initially caused significant declines in the value of PERS’ investments, followed by a recovery beyond those losses; however, it is currently unknown how System-wide UAL and City UAL may be affected as a result of the longer-term economic impact of the pandemic. For recent information regarding the effects of the COVID-19 pandemic on the System-wide UAL, see “—Recent Developments Related to PERS” below.

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 market value was revised at the OIC meeting of April 24, 2019, to 32.5 percent global equity, 17.5 percent private equity, 20 percent fixed income, 12.5 percent real estate, 7.5 percent alternatives – illiquid, 7.5 percent alternatives – diversifying strategies and 2.5 percent risk parity.

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

Table 19
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Oregon PERS Investment Returns⁽¹⁾

Fiscal Year Ending June 30	Net Returns (%)
2012	1.6
2013	12.7
2014	16.6
2015	4.3
2016	1.2
2017	11.9
2018	9.4
2019	6.5
2020	0.5
2021	25.5

(1) Total fund performance, excluding variable account.

Source: Oregon Public Employees Retirement Fund System Comprehensive Annual Financial Report for FYs 2011-12 through 2020-21

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 20
OREGON PUBLIC EMPLOYEES RETIREMENT FUND
Annualized Investment Results⁽¹⁾

Periods Ending June 30, 2021	Annualized		
	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	25.5%	10.4%	10.5%

(1) Total fund performance, regular account. Excludes variable account.

Source: Oregon Public Employees Retirement Fund System Comprehensive Annual Financial Report for FY 2020-21

Employer Contribution Rates and Amounts

At the end of each odd-numbered year, actuarial valuations determine the employer contribution rates that are officially set by the PERS Board. Pursuant to ORS 238.225, all employers participating in PERS are required to make their contribution to PERS based on the employer contribution rates set by the PERS Board.

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.

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 15 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 employer contribution rates for the 2019-21 biennium that ended on June 30, 2021. The table also shows the City’s current employer contribution rates for the 2021-23 biennium that began on July 1, 2021, as reported in the 2019 City Valuation and the City’s advisory-only employer contribution rates for the 2023-25 biennium as reported in the 2020 City Valuation. The rates reported in the table do not include the six percent and nine percent employee contribution rates for contributions to the IAP and “Employee Pension Stability Account” (“EPSA”) paid by the City.

Table 21
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Employer Contribution Rates for the City
Percentage of Covered Payroll⁽¹⁾⁽²⁾

Payrolls Paid	Past Rates 2019-2021	Current Rates 2021-23	Future Rates 2023-2025 (Advisory Only)⁽³⁾
T1/T2	21.86%	22.35%	25.51%
OPSRP General Services	15.53	18.36	21.65
OPSRP Police and Fire	20.16	22.72	26.40

(1) Includes contribution rates to fund RHIA. See “OTHER POST-EMPLOYMENT RETIREMENT BENEFITS (“OPEB”) – PERS Program.” For FY 2020-21, one percent of the City’s covered payroll for the three pension benefit programs was approximately: \$1,189,415 for T1/T2 Pension Programs; \$2,791,529 for OPSRP general services; and \$810,079 for OPSRP police and fire.

(2) Includes adjustments for side accounts and pre-SLGRP liabilities.

(3) Rates in this table for 2023-2025 are based on the 2020 City Valuation, which is advisory-only. Actual rates will be based on the City’s individual 2021 valuation that is expected to be released late in calendar year 2022.

Source: City of Portland, Oregon Public Employees Retirement System

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 the next biennium (FYs 2023-24 and 2024-25), the financial plan assumes rates as described in the advisory-only 2020 City Valuation. For the following biennium (FYs 2025-26 and 2026-27), the financial plan assumes increases in rates for both T1/T2 and OPSRP of approximately five additional 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 Pension Obligation Bonds is June 1, 2029 and are currently outstanding in the amount of \$75,073,346 (excluding compounded interest). Proceeds of the Pension Obligation Bonds were deposited with PERS. Table 22 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 (the “FPDR levy”). See “—PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT PLAN” below. In FY 2020-21, approximately 73 percent of the total cash contribution was for the employer share and 27 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 22
CITY OF PORTLAND, OREGON
City Contribution Related 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
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	23,074,692	70,043,837
2016	55,530,023	25,350,317	80,880,340
2017	58,637,409	27,853,142	86,490,551
2018	76,185,383	30,540,190	106,725,574
2019	86,437,805	33,027,629	119,465,434
2020	113,491,659	35,237,088	148,728,747
2021	109,135,626	36,645,814	145,781,440

- (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 the FPDR levy and other non-General Fund bureaus such as the Water Bureau and the Bureau of Environmental Services. Cash contribution to PERS excludes amount paid by Prosper Portland.

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

Recent Developments Related to PERS

In 2019, the Legislature adopted and the Governor signed Senate Bill 1049 (“SB 1049”), which makes certain modifications to the amortization of the UAL and benefits provided to employees retiring after December 31, 2019. Such modifications include: a one-time re-amortization of the UAL associated with Tier 1 and Tier 2 benefits that is measured as of December 31, 2019 and extending that amortization to 22 years; redirecting a portion of the 6 percent contributions currently made to the IAP to an EPSA within the PERS fund when an employee’s salary exceeds \$2,500 per month (indexed annually); removing all current hourly limitations on retirees who work for a PERS employer after retirement, while mandating that such employer shall continue to make pension contributions at the previous employer rate; and capping the annual salary used in the calculation of certain retirement packages for all tiers to \$195,000 (indexed annually). In June 2021, the Legislature passed House Bill 2906 (“HB 2906”), which raised the threshold level for the IAP redirect provision to \$3,333 per month (indexed annually). This change is effective January 1, 2022 and is reflected in the advisory-only 2023-25 employer contribution rates described above.

According to the Legislative Fiscal Office, the re-amortization of the T1/T2 UAL from 20 years to 22 years is expected, under current actuarial assumptions, to extend the retirement of the UAL by approximately six years. The City cannot predict whether SB 1049 will be subject to legal challenges that could affect some or all of its provisions.

For valuations beginning in the 2023-25 biennium, the PERS Board adopted revised actuarial assumptions, which include an investment rate of return of 6.90% and a payroll growth rate of 3.40%. The PERS Board also adopted modifications to the Rate Collar methodology. See Table 15 – “Actuarial Assumptions and Methods” herein for more information.

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 FPDR 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. The most recent amendments by the City Council occurred in 2020.

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, a second plan created in 1990, 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 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 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 (i.e., FPDR One, as described above) 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 levy is 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 levy has been sufficient in all years to meet required annual benefit payments. 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 legally available 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, other legally available 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 compression under the State Constitution (“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 2021-22, the tax loss due to Measure 5 compression was approximately \$10.0 million, or 4.7 percent of the FPDR levy.

Retirement Plan Asset Valuation and Liabilities

The table below shows key assumptions for the most recent valuation of the FPDR Plan. Mortality and other assumptions are regularly reviewed and updated as needed. 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 23
CITY OF PORTLAND, OREGON
FPDR Plan -- Actuarial Assumptions and Methods
For the June 30, 2020 Valuation

Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	Market Value
Funding Policy	Pay-As-You-Go
Discount Rate	2.21%
Payroll Growth Rate	3.25%

Source: Milliman Inc., City of Portland Fire & Police Disability & Retirement (FPDR) Fund, Pension Actuarial Valuation Report as of June 30, 2020, dated January 14, 2021

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 “—FPDR Fund and Levy Adequacy” below. As reflected in the City’s Annual Comprehensive Financial Report (“ACFR”) for FY 2020-21, 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 FY 2020-21, and contributed to the City’s total net position decrease from FY 2012-13 to FY 2013-14, when GASB 68 was implemented. See table entitled “Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)” on page 394 of the City’s ACFR for FY 2020-21.

Table 24
CITY OF PORTLAND, OREGON
FPDR Plan --Summary of Funding Levels⁽¹⁾

Fiscal Year Ending June 30	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability⁽¹⁾	Funded Ratio⁽²⁾
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 Ending June 30⁽³⁾	Plan Net Position, Ending	Total Pension Liability	Net Pension Liability⁽²⁾	Net Position as Percent of Total Liability⁽²⁾
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
2018	17,790,774	3,295,142,974	3,277,352,200	0.54
2019	20,001,298	3,568,635,904	3,548,634,606	0.56
2020	18,638,401	4,407,176,740	4,388,538,339	0.42
2021	13,291,727	4,553,280,004	4,539,988,277	0.29

(1) Table reflects transition to new accounting classifications as required by the Governmental Accounting Standards Board beginning with FY 2012-13.

(2) Does not include value of future dedicated FPDR property tax collections.

(3) Amounts are calculated by rolling forward prior actuarial valuations. See Table 25 below for a summary of the June 30, 2018, and June 30, 2020, valuations.

Source: *City of Portland audited financial statements*

Overall the net pension liability increased from \$3.31 billion on June 30, 2018, to \$4.44 billion on June 30, 2020, as shown in Table 25 below. Note that these valuations differ from results shown in Table 24 above because they are based on actual results prepared by Milliman and are not roll-forward amounts of prior valuations.

Table 25
CITY OF PORTLAND, OREGON
FPDR Plan--Summary of Most Recent Actuarial Valuations

Fiscal Year Ending June 30	Plan Assets	Total Pension Liability	Net Pension Liability
2018	\$17,790,776	\$3,323,733,057	\$3,305,942,281
2020	18,638,401	4,456,071,006	4,437,432,605

Source: *Milliman Inc., City of Portland Fire & Police Disability & Retirement (FPDR) Fund, Pension Actuarial Valuation Report as of June 30, 2020, dated January 14, 2021*

The primary reason for the growth in the plan's pension liability from June 30, 2018 to June 30, 2020 is the decrease in the discount rate (the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index each year). The rate dropped from 3.87 percent on June 30, 2018 to 2.21 percent on June 30, 2020, increasing the pension liability by \$974 million. By comparison, other changes had small impacts on the liability. Higher assumed annual cost-of-living adjustments for FPDR Two retirees added \$79 million to the pension liability. On the other hand, longevity declined by approximately one year for all male retirees, reducing the pension liability by \$104 million. Mortality assumptions are routinely updated to reflect the experience of the larger and more statistically valid Oregon PERS sworn population. The June 30, 2020 valuation also reflects a variety of updated assumptions based on a new experience study of the FPDR Plan for the period July 1, 2014 to June 30, 2019, conducted by an independent actuarial firm. Adjustments were made to marriage rates, retirement probabilities at various

ages and years of service, levels of pre-retirement withdrawal, and other areas. However, these changes had a small impact on the pension liability calculation. The actuaries estimated the new assumptions would have reduced the June 30, 2018 pension liability by \$60 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 benefit expenditures both for the pay-as-you-go FPDR Plan and contributions to 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 2012-13 and FY 2021-22, Real Market Value of property subject to taxation has grown by a compounded annual rate of approximately 8.5 percent.

Table 26
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
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	155,553,793	384,951,394	229,397,601
2019	1.09	163,748,627	419,138,031	255,389,407
2020	1.10	168,768,476	427,766,153	258,997,677
2021	1.15	182,356,015	445,250,065	262,904,050
2022	1.26	209,860,034	467,317,213	257,457,179

(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 pensions for 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 27
CITY OF PORTLAND, OREGON
FPDR Fund--Imposed Levies and Expenditures for
FPDR Fund--Imposed Levies and Expenditures for Pension Benefits and Death/Disability Benefits

Fiscal Year Ending June 30	Imposed Tax Levy⁽¹⁾	FPDR One & Two Pension Benefits	FPDR Three OPSRP Contributions	Disability & Funeral Benefits	Total FPDR Benefit Contributions
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
2018	148,214,877	119,616,359	13,318,516	6,050,635	138,985,510
2019	156,454,895	124,145,879	15,515,328	6,587,313	146,248,520
2020	161,017,652	129,180,669	20,699,942	5,990,880	155,871,491
2021	173,302,844	137,292,001	23,079,937	7,446,506	167,818,444

(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, 2020. The Levy Adequacy Analysis found that, under a wide range of simulated economic scenarios over the next 20 years, the future FPDR 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 one percent of modeled scenarios. This represents a slight decline from approximately one percent of modeled scenarios in the prior analysis as of June 30, 2018. As illustrated by the Levy Adequacy Analysis, growth in real market values in the City’s tax base over the last decade has made it unlikely the FPDR levy will ever be insufficient to fund benefits and expenses. Under the Levy Adequacy Analysis, plan costs are expected to peak in FY 2038-39 in nominal terms; the peak on an inflation-adjusted basis is in FY 2034-35.

The table below shows projected levy rates and taxes levied at the 50th and 5th percentiles of scenarios for FY 2020-21 through FY 2039-40 as included in the 2020 Levy Adequacy Analysis. Note that the actual levy rate per \$1,000 of Real Market Value was \$1.15 and \$1.26, respectively, for FY 2020-21 and FY 2021-22.

Table 28
CITY OF PORTLAND, OREGON
FPDR Fund--Projected Levy Rate, Taxes and Requirements⁽¹⁾

Fiscal Year Ending June 30	Levy Rate at 50th Percentile	Taxes Levied at 50th Percentile	Levy Rate at 5th Percentile	Taxes Levied at 5th Percentile
2021	\$1.16	\$184,700,000	\$1.16	\$184,700,000
2022	1.23	196,300,000	1.24	197,100,000
2023	1.25	206,000,000	1.38	208,400,000
2024	1.26	217,000,000	1.46	225,300,000
2025	1.29	229,300,000	1.53	238,600,000
2026	1.32	244,700,000	1.63	261,700,000
2027	1.35	259,500,000	1.70	279,100,000
2028	1.37	275,300,000	1.79	302,600,000
2029	1.39	290,600,000	1.85	321,100,000
2030	1.45	316,200,000	1.99	355,400,000
2031	1.46	330,900,000	2.04	373,900,000
2032	1.46	345,900,000	2.10	397,500,000
2033	1.46	360,500,000	2.13	415,800,000
2034	1.44	370,600,000	2.16	434,900,000
2035	1.42	380,900,000	2.17	449,200,000
2036	1.38	388,200,000	2.17	463,600,000
2037	1.36	395,300,000	2.15	474,300,000
2038	1.31	398,400,000	2.12	485,700,000
2039	1.27	403,100,000	2.10	493,600,000
2040	1.22	400,900,000	2.08	505,400,000

(1) Results are expressed as a probability distribution. Amounts shown in table are median values within percentile categories. Actual rates for FY 2020-21 and FY 2021-22 are found in the table titled “FPDR Fund—Certified Levies Compared with Maximum Levies Authorized.”

Source: Milliman, Inc., *FPDR Levy Adequacy Analysis as of June 30, 2020, dated January 26, 2021*

The current analysis extends through FY 2039-40 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 2020 City Valuation, the City’s allocated share of the RHIA program’s UAL was (\$276.6 million) as of December 31, 2020.

The City’s current employer contribution rates to fund RHIA benefits during the 2021-23 biennium for T1/T2 employees is 0.05 percent and for OPSRP general services and police and fire employees is 0.00 percent. According to the 2020 City Valuation, the Advisory Rate to fund RHIA benefits during the 2023-25 biennium for T1/T2 employees is 0.00 percent and for OPSRP general services and police and fire employees is 0.00 percent. These employer contribution rates to fund RHIA are included in the rates described in Table 21 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” or “HIC”). GASB 75 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City’s annual OPEB cost is calculated based on the actuarially-determined service cost, 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. The City’s estimated unfunded actuarial accrued liability for OPEB as of June 30, 2021 was \$95,637,643. The valuation was 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 discount rate of 2.20 percent, 2.1 percent inflation rate, annual healthcare cost trend rates of 4.5 to 6.7 percent, and retirees’ share of benefit-related costs of 29 percent of estimated program costs.

For FY 2020-21, the changes to the total OPEB liability is calculated as follows:

Balance at 7/1/2020	\$84,298,521
Changes for the year:	
Service cost	3,003,933
Interest	2,967,230
Actual experience	-
Changes of assumptions	10,460,682
Benefit payments	(5,092,723)
Net Changes	<u>11,339,122</u>
Balance at 6/30/21	<u>\$95,637,643</u>

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, 2021.

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.

Implementation of Governmental Accounting Standards Board Statement No. 75

Beginning in its Comprehensive Annual Financial Report for FY 2017-18, the City implemented Governmental Accounting Standards Board Statement No. 75, which changed employer reporting of OPEB for state and local governments. Under this new standard, for FY 2020-21, the City has reported in its ACFR the following balances:

	Deferred Outflow/(Inflow) of Resources	Net OPEB Liability/(Asset)	OPEB Expense (Income)
RHIA	\$2,726,188	(\$2,439,130)	\$1,020,630
HIC	\$(2,139,468)	\$95,637,643	\$3,759,863
Total	<u>\$586,720</u>	<u>\$93,198,513</u>	<u>\$4,780,493</u>

See the City’s ACFR for FY 2020-21, which is posted on the EMMA website.

LITIGATION

The City discloses only pending or threatened litigation that the City has determined may have a materially adverse impact on the City's or Prosper Portland's financial position relating to the Area's Tax Increment Revenues; 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 Area's Tax Increment Revenues.

There is no litigation pending or threatened against the City or Prosper Portland which would materially and adversely affect the financial condition of the Tax Increment Fund of the Area. No litigation is pending or threatened which would, if successfully prosecuted against the City or Prosper Portland, would materially and adversely affect the outstanding bonds or the Tax Increment Revenues.

APPENDIX
AUDITED FINANCIAL STATEMENTS

INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2017, 2018, 2019, 2020 and 2021. Copies of these financial statements containing the reports of the independent certified public accountants are available on the on the MSRB's EMMA system for municipal securities disclosure at <http://emma.msrb.org>. and 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, 2017 through June 30, 2021.

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

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Revenues					
Taxes	\$14,258,746	\$16,089,410	\$18,335,268	\$19,194,205	\$20,468,488
Investment earnings	72,879	121,957	379,893	466,703	33,319
Total Revenues	14,331,625	16,211,367	18,715,161	19,660,908	20,501,807
Expenditures					
Current:					
Community development	--	--	--	--	3,032,591
Debt Service:					
Principal	1,425,000	1,510,000	1,595,000	25,065,000	10,514,598
Interest	1,609,572	1,766,297	2,002,217	1,865,942	624,235
Debt issuance costs	--	--	--	34,910	97
Total Expenditures	2,039,710	3,034,572	3,276,297	26,965,852	14,171,521
Revenues Over (Under) Expenditures	11,297,053	12,935,070	15,117,944	(7,304,944)	6,330,286
Other Financing Sources (Uses)					
Transfers in	--	--	--	105,826	--
Transfers out	(10,000,000)	(12,000,000)	(12,000,000)	(12,000,000)	(15,000,000)
Refunding bonds issued	--	--	--	23,386,313	--
Total other financing sources (uses)	(10,000,000)	(12,000,000)	(12,000,000)	11,492,139	(15,000,000)
Net change in fund balances	1,297,053	935,070	3,117,944	4,187,195	(8,669,714)
Fund Balance (Beginning of Year)	4,338,873	5,635,926	6,570,996	9,688,940	13,876,135
Fund Balance (End of Year)	\$5,635,926	\$6,570,996	\$9,688,940	\$13,876,135	\$5,206,421

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

	2017	2018	2019	2020	2021
ASSETS					
Restricted:					
Cash and investments ⁽¹⁾	\$5,441,263	\$6,359,114	\$9,411,897	\$13,626,054	\$4,948,950
Receivables:					
Property taxes	938,344	1,170,916	755,089	774,960	635,451
Accrued interest receivable	24,986	35,697	66,980	58,981	57,526
Prepaid items	--	--	--	692	220
Total assets	<u>\$6,404,593</u>	<u>\$7,565,727</u>	<u>\$10,233,966</u>	<u>\$14,460,687</u>	<u>\$5,642,147</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Deferred inflows of resources:					
Unavailable revenue - restricted	\$768,667	\$994,731	\$545,026	\$584,552	\$435,726
Total deferred inflows of resources	<u>768,667</u>	<u>994,731</u>	<u>545,026</u>	<u>584,552</u>	<u>435,726</u>
Fund balances:					
Restricted	<u>5,635,926</u>	<u>6,570,996</u>	<u>9,688,940</u>	<u>13,876,135</u>	<u>5,206,421</u>
Total fund balances	<u>5,635,926</u>	<u>6,570,996</u>	<u>9,688,940</u>	<u>13,876,135</u>	<u>5,206,421</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$6,404,593</u>	<u>\$7,565,727</u>	<u>\$10,233,966</u>	<u>\$14,460,687</u>	<u>\$5,642,147</u>

(1) Reduction in cash in FY 2020-21 reflects repayment of \$8 million on an outstanding line of credit.

Source: City of Portland audited financial statements.