

ANNUAL DISCLOSURE INFORMATION

Pertaining to
City of Portland, Oregon



River District
Urban Renewal and Redevelopment Bonds

\$24,250,000
2012 Series A (Federally Taxable)
Dated July 10, 2012

\$34,140,000
2012 Series B (Tax-Exempt Refunding and Governmental Purpose)
Dated July 10, 2012

\$15,275,000
2012 Series C (Tax-Exempt Non-AMT Private Activity)
Dated July 10, 2012

February 1, 2017

\$34,140,000*
River District
Urban Renewal and Redevelopment Bonds
2012 Series B (Tax-Exempt Refunding and Governmental Purpose)

<u>Due</u> <u>June 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP No.</u> <u>73674N</u>
2017	\$3,160,000	5.000%	BU4
2018	3,315,000	5.000	BV2
2019	3,485,000	4.000	BW0
2020	3,625,000	5.000	BX8
2021	3,805,000	4.000	BY6
2022	3,960,000	5.000	BZ3
2023	4,155,000	5.000	CA7
**			
2031	175,000	4.000	CB5
2032	3,130,000	4.000	CC3
	<u>\$28,810,000</u>		

\$15,275,000*
River District
Urban Renewal and Redevelopment Bonds
2012 Series C (Tax-Exempt Non-AMT Private Activity)

<u>Due</u> <u>June 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>CUSIP No.</u> <u>73674N</u>
2026	\$1,895,000	5.000%	CD1
2027	1,000,000	3.750	CE9
2027	1,465,000	5.000	CK5
2028	2,570,000	5.000	CF6
2029	2,700,000	5.000	CG4
2030	2,835,000	5.000	CH2
2031	2,810,000	5.000	CJ8
	<u>\$15,275,000</u>		

*Original par amount.

ANNUAL DISCLOSURE INFORMATION

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**River District
Urban Renewal and Redevelopment Bonds**

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Information Updated as of February 1, 2017

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RIVER DISTRICT URBAN RENEWAL AREA TAX INCREMENT INFORMATION

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.

Table 1
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
HISTORICAL TRENDS IN REAL MARKET AND ASSESSED VALUES
BY PROPERTY TYPE
(FY 2012-13 through FY 2016-17)

REAL MARKET VALUE					
Property Type	2012-13	2013-14	2014-15	2015-16	2016-17 (1)
Real	\$3,893,448,140	\$4,150,717,110	\$4,575,502,990	\$5,195,580,800	\$5,455,126,370
Personal	124,845,782	125,239,341	130,051,030	140,065,125	140,796,915
Machinery/Equip.	13,813,280	13,039,000	12,691,680	12,934,660	6,199,330
Manufactured	7,140	7,810	9,820	10,220	10,730
Utility	210,783,047	249,862,562	247,843,765	264,844,488	295,793,758
Total	\$4,242,897,389	\$4,538,865,823	\$4,966,099,285	\$5,613,435,293	\$5,897,927,103
% Change	-2.21%	6.98%	9.41%	13.04%	5.07%

ASSESSED VALUE					
Property Type	2012-13	2013-14	2014-15	2015-16	2016-17 (1)
Real	\$1,782,341,120	\$1,844,356,090	\$1,897,881,390	\$2,107,584,110	\$1,892,081,340
Personal	122,997,933	123,423,141	127,839,470	137,876,345	139,059,785
Machinery/Equip.	11,529,870	11,696,730	11,924,830	12,298,840	6,199,330
Manufactured	7,140	7,810	8,040	8,280	--
Utility	206,351,486	244,979,640	243,822,541	254,932,550	295,091,600
Total	\$2,123,227,549	\$2,224,463,411	\$2,281,476,271	\$2,512,700,125	\$2,332,432,055
% Change	2.85%	4.77%	2.56%	10.13%	-7.17%
Incremental AV	\$1,661,649,575	\$1,762,885,437	\$1,819,898,297	\$2,051,122,151	\$1,900,139,920
% Change	3.67%	6.09%	3.23%	12.71%	-7.36%

Notes:

(1) Reflects impact of Plan amendment to reduce the acreage and Assessed Value of the Area. See "PLAN AMENDMENT" herein.

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

The table below shows Assessed Value (“AV”) from FY 2007-08 through FY 2016-17.

Table 2
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
ASSESSED VALUE GROWTH AND DIVIDE THE TAXES REVENUES

Fiscal Year	Assessed Value			Incremental AV % Change	Divide the Taxes Revenues to be Raised (1) (5)	Divide the Taxes Revenues Imposed (2) (5)	Compression Loss (3)
	Total	Base	Incremental				
2007-08	\$1,350,433,546	\$358,684,364	\$991,749,182	5.5%	\$21,256,160	\$20,264,971	4.7%
2008-09	1,536,454,727	358,684,364	1,177,770,363	18.8%	24,568,879	23,482,535	4.4%
2009-10	1,770,170,682	358,684,364	1,411,486,318	19.8%	30,313,927	28,759,128	5.1%
2010-11 (4)	1,950,172,853	461,577,974	1,488,594,879	5.5%	31,896,866	29,883,737	6.3%
2011-12	2,064,385,655	461,577,974	1,602,807,681	7.7%	34,977,373	31,571,279	9.7%
2012-13	2,123,227,549	461,577,974	1,661,649,575	3.7%	35,462,368	31,307,650	11.7%
2013-14	2,224,463,411	461,577,974	1,762,885,437	6.1%	37,584,731	32,611,642	13.2%
2014-15	2,281,476,271	461,577,974	1,819,898,297	3.2%	33,056,770 (6)	29,808,542	9.8%
2015-16	2,512,700,125	461,577,974	2,051,122,151	12.7%	32,413,237 (6)	30,600,151	5.6%
2016-17 (7)	2,332,432,055	432,292,135	1,900,139,920	-7.4%	39,472,367 (8)	37,649,099	4.6%

Notes:

- (1) Prior to Measure 5 Compression.
- (2) After Measure 5 Compression.
- (3) Also includes miscellaneous adjustments by county assessor.
- (4) Reflects amendment of Area boundaries to include property formerly in Downtown Waterfront and South Park Blocks urban renewal areas.
- (5) Divide the Taxes Revenues to Be Raised and Divide the Taxes Revenues Imposed include the effects of “revenue sharing” as required by Oregon Revised Statutes 457.470. See “OTHER FACTORS AFFECTING DIVIDE THE TAXES REVENUES—Revenue Sharing” herein.
- (6) In FYs 2014-15 and 2015-16, the City made a policy decision to request less Incremental Assessed Value in the calculation of River District Divide the Taxes Revenues than was required by Revenue Sharing statutes in order to return more revenues to overlapping taxing jurisdictions. The reductions were made in conformance with a proposed amendment to Bond covenants as described in the First Supplemental Declaration dated as of July 10, 2012, allowing the City to make a one-time reduction in Divide the Taxes Revenues if the reduction does not cause the Divide the Taxes Revenues to fall below 1.10% of Maximum Annual Debt Service on Outstanding Bonds.
- (7) Reflects reduction of Area boundaries due to Plan amendment. See “PLAN AMENDMENT” herein.
- (8) Increase in Divide the Taxes Revenues is due to revenue sharing statutes, which lag effect of Plan amendment. See “REVENUE SHARING” herein.

Sources: Multnomah County Division of Assessment, Recording and Taxation; Washington County Department of Assessment and Taxation; Clackamas County Department of Assessment and Taxation; City of Portland.

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)

Fiscal Year Ending June 30	2012-13	2013-14	2014-15	2015-16	2016-17
Residential	0.7279	0.6972	0.6367	0.5941	0.5379
Commercial/Local Industrial	0.5413	0.5699	0.5654	0.5535	0.4812
State Industrial	1.0000	1.0000	1.0000	1.0000	1.0000
Multi-Family	0.5998	0.5837	0.5506	0.4917	0.3967
Recreational	0.6979	0.8064	0.7962	0.8679	0.7867
Machinery and Equipment	1.0000	1.0000	1.0000	1.0000	1.0000
Miscellaneous	0.6601	0.6663	0.6533	0.6911	0.6409
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 Value/Real Market Value Property ratios for types of property in the Area. Note that for purposes of calculating Divide the Taxes Revenues, property taxes are levied on all property types shown in the table.

Table 4
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
ASSESSED AND REAL MARKET VALUE BY PROPERTY TYPE
(FY 2016-17)

Property Class	Assessed Value	% of Total	Real Market Value	AV/RMV Ratio
Real Property				
Residential	\$720,287,880	30.9%	\$1,354,121,000	53.2%
Commercial/Industrial (County Assessed)	883,098,680	37.9%	3,032,592,960	29.1%
Industrial (State Assessed)	2,955,030	0.1%	,2,955,030	100.0%
Multi-Family	285,739,750	12.3%	1,065,457,380	26.8%
Subtotal	1,892,081,340	81.1%	5,455,126,370	
Personal Property	139,059,785	6.0%	140,796,915	98.8%
Machinery/Equipment	6,199,330	0.3%	6,199,330	100.0%
Manufactured Property	--	0.0%	10,730	0.0%
Utilities	295,091,600	12.7%	295,793,758	99.8%
Total	\$2,332,432,055	100.0%	\$5,897,927,103	

Source: "Table 7a – TAXABLE ASSESSED VALUE AND REAL MARKET VALUE BY PROPERTY CLASS, Tax Year 2016-17," River District 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 74 percent of properties have AV/RMV ratios below 70 percent as of FY 2016-17.

Table 5
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
ASSESSED TO REAL MARKET VALUE RATIOS
(FY 2016-17)

AV/RMV Ratio	Assessed Value	Cumulative Percent of Total	Percent of Total
Under 30%	\$162,504,030	7.0%	7.0%
30 - 39%	381,976,140	16.4%	23.3%
40 - 49%	513,227,100	22.0%	45.3%
50 - 59%	457,263,430	19.6%	65.0%
60 - 69%	304,215,770	13.0%	78.0%
70 - 79%	22,860,510	1.0%	79.0%
80 - 89%	33,705,510	1.4%	80.4%
90 - 99%	19,486,110	0.8%	81.3%
100%	437,193,455	18.7%	100.0%
Total	\$2,332,432,055	100.0%	

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

Principal Area Taxpayers

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

Table 6
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
TOP TEN PROPERTY TAXPAYER ACCOUNTS

Company Name	Type of Business	2016-17 Assessed Value	% of Total Assessed Value
Total River District		\$2,332,432,055	
AT&T Inc.	Communications	173,187,000	7.4%
SPF Brewery Blocks LLC (1)	Commercial mixed use	110,840,600	4.8%
CenturyLink	Communications	51,423,400	2.2%
Block 17 Holdings LLC	Apartment building	42,769,120	1.8%
MEPT Brewery Block 2 LLC	Commercial mixed use	39,643,320	1.7%
Pioneer Place Limited Partnership	Retail	38,132,470	1.6%
CRP/FPC Riverscape LLC	Apartment building	32,538,730	1.4%
SPF 224LLC	Office high rise	32,289,590	1.4%
ASA Flats LLC	Apartment building	28,807,340	1.2%
Level 3 Communications LLC	Communications	27,865,000	1.2%
		\$577,496,570	24.8%

Notes:

- (1) SPF Brewery Blocks LLC has filed an appeal for property with Real Market Value of \$109,302,320 and Assessed Value of \$44,004,600. The actual amount of property value being appealed is unknown. A decision on the appeal is not expected before April or May 2017.

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 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 underlying taxing entity for FY 2016-17.

Table 7
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
CONSOLIDATED TAX RATE (1)

Fiscal Year	Consolidated Billing Tax Rate
2012-13	\$22.1761
2013-14	23.8325
2014-15	23.2010
2015-16 (2)	20.8809
2016-17	20.7734

Notes:

- (1) Rate per \$1,000 of Assessed Value.
- (2) Decline in consolidated billing tax rate 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.

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

Table 8
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
CONSOLIDATED TAX RATE: FY 2016-17

Taxing District	Permanent Tax Rate Per \$1,000 A.V.	Local Option And Other Tax Rates (1) Per \$1,000 A.V.	General Obligation Debt Tax Rate Per \$1,000 A.V.	Total Tax Rate Per \$1,000 A.V.
City of Portland	\$4.5770	\$2.4859	\$0.2645	\$7.3274
Multnomah County	4.3434	n/a	0.0000	4.3434
Multnomah County Library	1.1800	n/a	0.0000	1.1800
Metro	0.0966	n/a	0.2044	0.3010
Port of Portland	0.0701	n/a	0.0000	0.0701
West Multnomah Soil & Conservation	0.0750	n/a	0.0000	0.0750
Subtotal - General Government	10.3421	2.4859	0.4689	13.2969
Portland School District	5.2781	n/a	1.0623	6.3404
Portland Community College	0.2828	n/a	0.3957	0.6785
Multnomah Co. Education Svc. Dist.	0.4576	n/a	0.0000	0.4576
Subtotal - Schools	6.0185	n/a	1.4580	7.4765
Totals	\$16.3606	\$2.4859	\$1.9269	\$20.7734

Notes:

- (1) Reflects impacts of House Bill 2632, 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 certain urban renewal plans, as indicated by "n/a." Tax rate for the City is for the Fire and Police Disability and Retirement Fund.

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

OTHER FACTORS AFFECTING DIVIDE THE TAXES REVENUES

Revenue Sharing

ORS 457.470 requires the City to share annual increases in tax increment revenue collections for the Area with overlapping taxing jurisdictions. Beginning in FY 2010-11, the City must attempt to limit annual increases in tax increment revenues for the Area to 75% of the amount they would have otherwise increased. In addition, when these annual, limited tax increment revenue collections reach \$48,950,000, annual tax increment collections in future years will be capped at \$48,950,000, or ten percent of the Area's maximum indebtedness limit.

In conformance with the methodology set out under Oregon law, the City instructed the assessor to use an Incremental Assessed Value that resulted in more tax increment revenues for the Area in certain fiscal years than the amount permitted under the sharing formula, as shown in the table below. Historically, the City interpreted State law to require the City to reduce the Incremental Assessed Value certified to the assessor in the following year, when over-collection of tax revenues occurred, by an amount estimated to make up for the excess collections. The City's bond counsel has determined that the City is not required to true up collections for the Area, which was reflected in the City's certification to the county assessor for the tax year beginning in FY 2016-17.

In FYs 2014-15 and 2015-16, the City instructed the assessor to use an Incremental Assessed Value that produced less tax increment revenues than would have resulted by using the methodology established in state revenue sharing statutes in order to return more revenues to overlapping taxing jurisdictions. The reduction was made in conformance with an amendment to Bond covenants as described in the First Supplemental Declaration dated as of July 10, 2012, allowing the City to make a one-time reduction in Divide the Taxes Revenues if the reduction does not cause the Divide the Taxes Revenues to fall below 1.10% of Maximum Annual Debt Service on Outstanding Bonds.

In FY 2016-17, the City returned to the revenue sharing calculation methodology prescribed in state statutes. Because that methodology uses a formula tied to prior year Assessed Value and Incremental Assessed Value growth, the resulting tax increment revenues does not fully capture the impact of the Plan reduction. The City expects that the FY 2017-18 calculation will produce a decline in tax increment revenues because of the reduction in the Area's Assessed Value and Incremental Assessed Value in FY 2016-17.

Table 9
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
IMPACT OF REVENUE SHARING ON AREA TAX COLLECTIONS (1)

Fiscal Year Ending	Target Divide the Taxes Revenues to Area Based on Statutory Formula	Actual Collections
2010-11	\$33,482,246	\$31,896,867
2011-12	34,827,105	34,977,373
2012-13	36,979,463	35,462,368
2013-14	37,416,585	37,584,731
2014-15 (2)	37,667,334	33,056,770
2015-16 (2)	37,904,402	30,600,151
2016-17	42,372,611	39,472,367

Notes:

- (1) Prior to Measure 5 compression. Note that this table has been revised from prior Annual Disclosure documents to present information used to calculate revenue sharing as described in Oregon Revised Statutes Chapter 457.
- (2) The reduced collections in FY 2014-15 and FY 2015-16 were due to a decision by the City Council to request less Incremental Assessed Value than would have been permitted by State statute in order to simulate a planned reduction to the Plan area. See “—PLAN AMENDMENT” herein.

Source: City of Portland.

OTHER FACTORS AFFECTING DIVIDE THE TAXES REVENUES

Divide the Taxes Revenue Reductions Due to Measure 5 Compression

Divide the Taxes Revenues may be reduced by Measure 5 compression effects. In FY 2016-17, Measure 5’s tax rate cap of \$10/\$1,000 of Measure 5 market value was the primary factor in reducing the projected Divide the Taxes property tax collections in the Area to \$37,649,099 from the authorized amount of \$39,472,367 as shown in Table 2 above.

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 10
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 12/31/2016 (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	97.6%	98.5%
2016-17	551,135	91.4% (4)	91.4%

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) 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.
- (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 2015-16 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.
- (4) Partial year collection as of 12/31/2016.

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

HISTORICAL FINANCIAL RESULTS

Tax Increment Collections and Annual Debt Service

The following table shows historical collections of Divide the Taxes Revenues in the River District Urban Renewal Area Debt Redemption Fund (the “Tax Increment Fund”) on a budgetary basis. Financial information presented on a Generally Accepted Accounting Principles (GAAP) basis is shown in the Appendix.

Table 11
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
REVENUE COLLECTIONS IN THE TAX INCREMENT FUND
AND ANNUAL DEBT SERVICE (PARITY INDEBTEDNESS)
(Budgetary Basis)

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Revenues					
Taxes (1)	\$30,342,382	\$30,410,410	\$31,595,733	\$28,947,188	\$29,732,592
Investment/interest income	136,036	104,835	85,129	100,566	144,344
Total Revenues	\$30,478,418	\$30,515,245	\$31,680,8620	\$29,047,754	\$29,876,936
Debt Service (Parity Indebtedness)	\$4,730,070	\$7,439,053	\$7,615,972	\$7,617,999	\$7,616,278

Notes:

(1) Includes collections from current and prior tax years.

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 12
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
SUMMARY OF RIVER DISTRICT PROPERTY VALUE, TAX INCREMENT REVENUE
COLLECTIONS, AND DEBT SERVICE

Fiscal Year	2011-12	2012-13	2013-14	2014-15	2015-16
Real Market Value	\$4,338,566,242	\$4,242,897,389	\$4,538,865,823	\$4,966,099,285	\$5,613,435,293
Assessed Value:					
Frozen Base	\$461,577,974	\$461,577,974	\$461,577,974	\$461,577,974	\$461,577,974
Incremental Assessed Value	1,602,807,681	1,661,649,575	1,762,885,437	1,819,898,297	2,051,122,151
Total Assessed Value	\$2,064,385,655	\$2,123,227,549	\$2,224,463,411	\$2,281,476,271	\$2,512,700,125
Consolidated Tax Rate	\$21.9691	\$22.1761	\$23.8325	\$23.2010	\$20.8809
Taxes on Increment	\$35,212,242	\$36,848,907	\$42,013,967	\$42,223,460	\$42,829,277
Less Shared Revenue	(234,870)	(1,386,539)	(4,429,236)	(9,166,690)	(10,416,040)
Taxes to be Raised (1)	\$34,977,373	\$35,462,368	\$37,584,731	\$33,056,770	\$32,413,237
Less Compression Loss	(3,406,094)	(4,154,718)	(4,973,089)	(3,248,229)	(1,813,087)
Taxes Imposed	\$31,571,279	\$31,307,650	\$32,611,642	\$29,808,542	\$30,600,151
Less Discounts, Delinquency	(1,845,431)	(1,605,523)	(1,629,856)	(1,457,131)	(1,426,120)
Net Divide the Taxes Revenues	\$31,571,279	\$31,307,650	\$32,611,642	\$28,351,411	\$29,174,031
Debt Service:					
2003 Bonds	\$4,730,650	\$3,113,165	\$3,116,249	\$681,855	\$0
2012 Bonds	0	4,325,888	4,499,723	6,936,144	7,616,278
Total	\$4,730,650	\$7,439,053	\$7,615,972	\$7,617,999	\$7,616,278
Debt Service Coverage	5.98	3.99	4.07	3.72	3.83

Notes:

(1) These are the Divide the Taxes Revenues. Amounts are net of shared revenues.

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

Outstanding Indebtedness

As of February 1, 2017, the City had \$66,805,000 of outstanding long-term debt for the River District Urban Renewal Area.

Table 13
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
OUTSTANDING LONG-TERM DEBT AS OF FEBRUARY 1, 2017

<u>Issue Name</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
River District Urban Renewal and Redevelopment Bonds, 2012 Series A	7/10/2012	6/15/2026	\$24,250,000	\$18,020,000
River District Urban Renewal and Redevelopment Bonds, 2012 Series B	7/10/2012	6/15/2032	\$34,140,000	\$28,810,000
River District Urban Renewal and Redevelopment Bonds, 2012 Series C	7/10/2012	6/15/2031	\$15,275,000	\$15,275,000
<i>Total</i>			<u>\$73,665,000</u>	<u>\$66,805,000</u>

Source: City of Portland.

As of the date of this Annual Disclosure document, a total \$32,117,166 was outstanding on a line of credit secured solely by the Divide the Taxes Revenues of the Area; \$27,882,834 of additional financing capacity remains on the line, which expires on April 1, 2019. Additionally, \$7,322,497 was outstanding on a River District line of credit secured by the City's full faith and credit and the Divide the Taxes Revenues of the Area, which has \$28,677,503 of additional financing capacity and expires on June 30, 2021. This line of credit is expected to be repaid from proceeds of the sale of property purchased by PDC from the U.S. Postal Service.

MAXIMUM INDEBTEDNESS

The Maximum Indebtedness amount for the Area is \$489,500,000. The table below shows the Maximum Indebtedness amount remaining as of February 1, 2017.

Table 14
CITY OF PORTLAND, OREGON
River District Urban Renewal Area
MAXIMUM INDEBTEDNESS, AMOUNTS ISSUED, AND AMOUNTS REMAINING
(as of February 1, 2017)

Maximum Indebtedness Amount	\$489,500,000
Less: Long-Term Debt Issued (1)	(138,386,473)
Taxable Short-Term Debt Issued (2)	<u>(239,915,000)</u>
Remaining Maximum Indebtedness	<u>\$111,198,527</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.

PLAN AMENDMENT

The City Council and the Board of Commissioners of the Portland Development Commission approved amendments to six urban renewal areas, including the Area, in FY 2014-15. The Plan amendment for the Area reduced acreage by approximately 36.4 acres and reduced the Assessed Value effective FY 2016-17. Due to the lagged effect of the revenue sharing methodology, the reduction in Assessed Value is expected to reduce collections of Tax Increment Revenues beginning in FY 2017-18; however, Tax Increment Revenues are projected to remain well above levels needed for debt service coverage in conformance with the Bond Declaration.

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 2015-16. A complete copy of the City's FY 2015-16 audit is available on the Electronic Municipal Market Access (EMMA) system for municipal securities disclosure established by the MSRB and accessible at <http://emma.msrb.org>. Excerpts of the City's audited financial statements for the Tax Increment Fund on a GAAP basis are found in Appendix A.

FINANCIAL REPORTING AND BUDGETING

Financial Reporting

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

Budget Process

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

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

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

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

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

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

INSURANCE

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

The City estimates liability for incurred losses for reported and unreported claims for workers’ compensation, general and fleet liability and employee medical coverage (included in accrued self-insurance claims in the combined statement of net assets). Workers’ compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City’s Risk Management Services and independent actuarial studies. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City’s expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For fiscal year ending June 30, 2016, the expected rate of return used was 0.67 percent and for subsequent years, the expected rate of return was 0.7 percent in FY 2016-17 and 1.00 percent in FY 2017-18 and beyond. The Bureau of Human Resources and the employee benefits consultant determines relevant employees’ medical coverage estimates.

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

Personal Injury and Death Claim

Under ORS 30.272, the liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$682,800 for causes of action arising on or after July 1, 2015, and before July 1, 2016. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increases to \$3,365,500 for causes of action arising on or after July 1, 2015, and before July 1, 2016. For causes of action arising on or after July 1, 2016, and before July 1, 2017, limitations increase to \$691,200 for single claimant and \$1,382,300 for multiple claimants.

Property Damage or Destruction Claim

Under ORS 30.273, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2015, and before July 1, 2016, are as follows: (a) \$112,000 for any single claimant and (b) \$560,000 to all claimants. For causes of action 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.

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. Effective January 1, 2016, Tier 1 has an assumed earnings rate guarantee of 7.50 percent and a normal retirement age of 58. PERS maintains a “Tier One Rate Guarantee Reserve” which is credited with investment earnings in excess of the assumed earnings rate guarantee and used to offset the effects of investment earnings below the assumed earnings rate guarantee. As of June 30, 2016, the balance of this reserve was \$448.8 million. As of June 30, 2016, there were 28,605 active plan members, 121,585 inactive plan members currently receiving benefits, 15,106 inactive plan members entitled to but not yet receiving benefits, and 10 inactive members not eligible for refund or retirement, for a total of 165,306 Tier 1 members in the Statewide PERS System.

Employees hired on or after January 1, 1996, and before August 29, 2003, are known as “Tier 2” participants. The Tier 2 program also provides a defined benefit but with lower expected costs to employers than under the Tier 1 benefit. There is no assumed earnings rate guarantee and Tier 2 has a higher normal retirement age of 60. As of June 30, 2016, there were 39,205 active members 12,336 inactive plan members currently receiving benefits, 15,291 inactive plan members entitled to but not yet receiving benefits, and 718 inactive members not eligible for refund or retirement, for a total of 67,550 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, 2016, there were 103,866 active members, 2,514 inactive plan members currently receiving benefits, 4,775 inactive plan members entitled to but not yet receiving benefits, and 10,025 inactive members not eligible for refund or retirement, for a total of 121,180 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. 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 31, 2015, meeting, the PERS Board modified certain methods and assumptions which were to be used for the 2014 valuations and the 2015 valuations (the “2015 Board Changes”). The following table shows methods and assumptions adopted by the PERS Board, which are the basis for the actuarial valuations.

Table 15
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Actuarial Assumptions and Methods

ASSUMPTION/METHOD	2012-2013 VALUATIONS	2014-2015 VALUATIONS (3) (2015 Board Changes)
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
UAL-Method: T1/T2 Programs	Level Percentage of Payroll over 20 years (fixed) (1)	Level Percentage of Payroll over 20 years (fixed) (1)
OPSRP	Level Percentage of Payroll over 16 years (fixed)	Level Percentage of Payroll over 16 years (fixed)
Asset Valuation Method:	Market Value (2)	Market Value (2)
Investment Rate of Return:	7.75%	7.50%
Payroll Growth Rate:	3.75%	3.50%
Inflation Level:	2.75%	2.50%
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 or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer’s funded status is between 70% and 130%. At a funded status of 60% or less, or 140% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 60% and 70% or 130% and 140%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.

Notes:

- (1) Although the UAL amortization method remains unchanged, the PERS Board directed Milliman to re-amortize the UAL for the T1/T2 Pension Programs from the 2007, 2009, and 2011 valuations to restart the 20-year amortization period for those UALs effective with the 2013 valuation report.
- (2) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).
- (3) At its July 31, 2015, meeting, the PERS Board also made changes to actuarial assumptions including life expectancy and retirement age.

Source: Oregon Public Employees Retirement System.

Milliman released its 2014 valuation for the Statewide PERS System as of December 31, 2014, (the “2014 System Valuation”) on November 12, 2015, and its 2015 valuation for the Statewide PERS System as of December 31, 2015, (the “2015 System Valuation”) on September 27, 2016. 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, and its individual 2015 valuation report as of December 31, 2015, (the “2015 City Report”) on October 11, 2016. 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	Unfunded		
	Value of Assets	Actuarial Liability	Actuarial Liability	Funded Ratio (%)
2006	\$56,616.5	\$51,252.9	\$(5,363.6)	110.5
2007	59,327.8	52,871.2	(6,456.6)	112.2
2008	43,520.6	54,259.5	10,738.9	80.2
2009	48,729.2	56,810.6	8,081.4	85.8
2010	51,583.6	59,329.5	7,745.9	86.9
2011	50,168.2	61,198.4	11,030.2	82.0
2012 (2)	54,784.1	60,405.2	5,621.1	90.7
2013 (2)	60,014.1	62,593.6	2,579.5	95.9
2014 (3)	61,395.1	73,458.9	12,063.8	83.6
2015 (4)	54,365.8	76,196.6	21,830.8	78.7

Notes:

- (1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA. Includes side accounts resulting from employer supplemental deposits, including proceeds of pension obligation bonds.
- (2) Reflects savings that were anticipated from the 2013 PERS Bills, but will not be realized because most of the 2013 PERS Bills were invalidated. See “—Recent Developments Related to PERS” below. Also reflects actuarial assumptions and methods described in Table 15 above.
- (3) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See “—Recent Developments Related to PERS” below. Reflects the 2015 Board Changes. See Table 15 above.
- (4) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See “—Recent Developments Related to PERS” below. Reflects the 2015 Board Changes. See Table 15 above. Also reflects actual investment returns during fiscal years 2015 and 2016. See Table 19 below.

Source: Oregon Public Employees Retirement System.

Table 17
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Summary of City Funding Levels
(\$ in Millions) (1)

Calendar Year	Actuarial	Unfunded		Funded Ratio (%)
	Value of Assets	Actuarial Liability	Actuarial Liability	
2006	\$1,619.3	\$1,432.0	\$(187.3)	113.1
2007	1,635.0	1,410.8	(224.2)	115.9
2008	1,280.6	1,539.9	259.2	83.2
2009	1,424.0	1,606.0	182.0	88.7
2010	1,499.8	1,672.5	172.7	89.7
2011	1,459.0	1,724.2	265.3	84.6
2012 (2)	1,624.8	1,744.3	119.5	93.2
2013 (2)	1,762.8	1,804.7	41.9	97.7
2014 (3)	1,844.1	2,210.1	366.0	83.4
2015 (4)	1,820.6	2,335.5	514.9	78.0

Notes:

- (1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA. City information is calculated separately for the SLGRP and OPSRP using the City's payroll as a percentage of combined payroll of the respective rate pools. Includes impact of pension obligation bonds.
- (2) Reflects savings that were anticipated from the 2013 PERS Bills, but will not be realized because most of the 2013 PERS Bills were invalidated. See "—Recent Developments Related to PERS" below. Also reflects actuarial assumptions and methods described in Table 15 above.
- (3) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See "—Recent Developments Related to PERS" below. Reflects the 2015 Board Changes. See Table 15 above.
- (4) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See "—Recent Developments Related to PERS" below. Reflects the 2015 Board Changes. See Table 15 above. Also reflects actual investment returns during fiscal years 2015 and 2016. See Table 19 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 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
2006	\$242,259,162	\$(187,332,041)	-77%
2007	259,889,403	(224,199,619)	-86%
2008	289,371,762	259,241,423	90%
2009	303,851,551	182,019,126	60%
2010	307,538,429	172,726,579	56%
2011	303,508,135	265,267,189	87%
2012	311,688,601	119,477,128	38%
2013	313,291,592	41,882,231	13%
2014	335,113,826	365,964,877	109%
2015	350,158,915	514,861,639	147%

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

Fiscal Year	Net
Ending June 30	Returns (%)
2007	18.6
2008	-3.5
2009	-22.2
2010	17.0
2011	22.3
2012	1.6
2013	12.7
2014	16.6
2015	4.3
2016	1.2

Notes:

(1) Total fund performance, excluding variable account.

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, Oregon Public Employees Retirement System.

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, 2016	Annualized		
	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	1.2%	7.2%	7.1%

Notes:

(1) Total fund performance, excluding variable account.

Source: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, Oregon Public Employees Retirement System.

Investment returns for calendar year 2015 were substantially below the 7.50 percent assumed earnings rate, which is a large factor in the increase in the UAL of the PERS System and the City as of December 31, 2015. See Table 16 and Table 17 above.

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 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 current employer contribution rates for the 2015-17 biennium that ends on June 30, 2017. The table also shows the City’s employer rates for the 2017-19 biennium that begins on July 1, 2017, as reported in the 2015 City Report. The rates reported in the table do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

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

Payrolls Paid	Current Rates	Future Rates
	2015-17	2017-19
T1/T2	12.85%	17.12%
OPSRP General Services	7.00%	10.26%
OPSRP Police and Fire	11.11%	15.03%

Notes:

- (1) Does not include contribution rates to fund RHIA. See “OTHER POST-EMPLOYEE RETIREMENT BENEFITS – PERS Program.” For FY 2015-16, one percent of the City’s covered payroll for the three pension benefit programs was approximately: \$1,540,773 for T1/T2 Pension Programs; \$1,568,542 for OPSRP general services; and \$398,607 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 2014 City Report and 2015 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’s financial plan has been updated to incorporate higher growth assumptions for PERS employer rates. The financial plan assumes an increase in PERS rates of approximately four percentage points and OPSRP rates of approximately three percentage points above current rates for FY 2017-18 and FY 2018-19. For FY 2019-20 and FY 2020-21, the financial plan assumes an increase in PERS rates of another four percentage points and in OPSRP rates of another three percentage points.

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 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. See “—PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT FUND” below. In FY 2015-16, 60.7 percent of the total cash contribution was for the employer share and 39.3 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 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
2007	\$31,172,696	\$18,990,492	\$50,163,188
2008	32,779,658	19,839,413	52,619,071
2009	35,326,820	16,059,937	51,386,757
2010	32,598,608	15,223,638	47,822,246
2011	33,622,080	16,413,710	50,035,790
2012	45,229,731	17,738,966	62,968,697
2013	45,278,556	19,432,611	64,711,167
2014	45,868,558	21,128,704	66,997,262
2015	46,969,145	23,204,402	70,173,547
2016	55,530,023	25,350,326	80,880,349

Notes:

- (1) Includes City’s statutorily required employer contribution for T1/T2 and OPSRP pension program and its pension contribution on behalf of employees. Includes contributions from FPDR property tax levy and other non-General Fund bureaus such as the Water Bureau and the Bureau of Environmental Services.

Source: City of Portland.

Recent Developments Related to PERS

During the 2013 Legislative Session and the 2013 Special Session the Legislative Assembly enacted Senate Bills 822, 861, and 862 (the “2013 PERS Bills”) that were expected to: limit annual benefits cost of living adjustments (“COLAs”), for PERS retirees, eliminate a benefit increase for out-of-state retirees based on Oregon income tax, exclude salary 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. See Table 15 for a summary of the changes made by the PERS Board.

Several lawsuits were filed challenging the 2013 PERS Bills. On April 30, 2015, the Oregon Supreme Court released its decision in these cases. According to its decision, the Supreme Court invalidated the limits on COLAs 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.

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, 2016, the City reported a net pension liability of \$217.1 million and a pension expense of \$165.1 million. See the City’s CAFR for the fiscal year ended June 30, 2016, posted on the EMMA website. The amount does not reflect changes made by the board after June 30, 2015, including the reduction in the investment rate of return from 7.75 percent to 7.50 percent.

PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT FUND

Overview

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

The FPDR Plan’s authority for vesting and benefit provisions is provided by Chapter 5 of the City Charter. Amendments require majority approval of the voters in the City. Ten revisions have been passed by the voters since the creation of the plan. The most recent revision, comprised of eleven different plan amendments, was passed November 6, 2012.

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. As of June 30, 2016, there were 500 members and beneficiaries in FPDR One.

FPDR Two. Sworn members of the Police and Fire Bureaus subject to the FPDR Plan as constituted after June 30, 1990, and first sworn before January 1, 2007, are included in the FPDR Two tier. 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. As of June 30, 2016, there were 2,497 members and beneficiaries in FPDR Two.

FPDR Three. Sworn members of the Police and Fire Bureaus hired on or after January 1, 2007, are included in the FPDR Three tier; those sworn on or after January 1, 2013, 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. As of June 30, 2016, there were 464 FPDR Three members.

Funding

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mills on each dollar of valuation of property (\$2.80 per \$1,000 of Real Market Value) that is not exempt from such levy. The FPDR property tax levy has been sufficient in all years to meet required annual benefit payments. In the event that collections from this special property tax levy for the FPDR Plan 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 23
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, 2016, 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, 2016 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 306 of the City’s CAFR for its fiscal year ended June 30, 2016, which is available on EMMA.

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

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

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

Notes:

- (1) Table reflects transition to new accounting classifications as required by the Governmental Accounting Standards Board.
- (2) Does not include value of future dedicated FPDR property tax collections.
- (3) Amounts are calculated by rolling forward prior actuarial valuations. Also see Table 25 below for a summary of the June 30, 2014, and June 30, 2016, valuations.

Source: City of Portland audited financial statements.

Overall the unfunded actuarial liability increased from \$2.49 billion on June 30, 2014, to \$3.69 billion on June 30, 2016, 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	Plan Assets	Total Pension Liability	Net Pension Liability
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 in 2015 and 2016, 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.

Levy Adequacy

Since the FPDR Plan is a pay-as-you-go plan funded with a dedicated property tax, the critical measure of its financial health is whether this property tax will ever be insufficient to fully cover plan expenditures. The table below compares the certified tax levy for 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 2007-08 and FY 2016-17, Real Market Value of property subject to taxation has grown by a compounded annual rate of approximately 4.1 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
2008	\$1.13	\$95,365,463	\$236,014,742	\$140,649,279
2009	1.23	111,152,436	253,003,644	141,851,208
2010	1.29	114,980,456	249,261,909	134,281,453
2011	1.37	118,526,184	241,849,105	123,322,921
2012	1.41	114,264,711	227,257,618	112,992,907
2013	1.55	123,564,952	223,709,460	100,144,508
2014	1.62	136,383,540	235,325,707	98,942,167
2015	1.48	136,883,230	259,331,341	122,448,111
2016	1.30	133,795,013	287,358,793	153,563,780
2017	1.15	138,900,728	338,199,473	199,298,745

Notes:

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

Source: City of Portland.

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

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

FYE	Imposed Tax	FPDR One &	FPDR Three	Disability &	Total FPDR
June 30	Levy (1)	Two Pension	OPSRP	Funeral Benefits	Benefit
		Benefits	Contributions		Contributions
2007	\$84,180,663	\$74,375,304	\$0	\$10,849,102	\$85,224,406
2008	92,819,416	80,718,048	726,748	10,876,351	92,321,147
2009	107,869,880	85,079,520	1,774,991	9,241,784	96,096,295
2010	111,376,678	89,038,110	2,210,250	9,075,988	100,324,348
2011	114,217,070	90,464,611	2,865,737	7,938,636	101,268,984
2012	108,666,428	94,708,986	4,735,637	7,064,187	106,508,810
2013	115,752,880	99,417,595	5,265,815	6,725,710	111,409,120
2014	123,304,615	103,506,696	5,998,321	7,410,977	116,915,994
2015	126,777,805	103,355,638	6,952,685	6,219,646	116,527,969
2016	126,376,817	107,074,899	8,699,501	6,420,506	122,194,906

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 50th and 5th percentiles for FY 2016-17 through FY 2035-36 as included in the 2016 Levy Adequacy Analysis. Note that actual levy rate in FY 2016-17 was \$1.15 per \$1,000 of Real Market Value.

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

Fiscal Year Ended June 30	Levy Rate at 50th Percentile	Taxes Levied at 50th Percentile	Levy Rate at 5th Percentile	Taxes Levied at 5th Percentile
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 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 2015 City Report, the City’s allocated share of the RHIA program’s UAL was \$1,700,252 as of December 31, 2015.

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 police and fire employees is 0.43 percent. These employer contribution rates to fund RHIA are not reflected 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"). GASB 45 refers to this as an implicit subsidy and therefore requires the corresponding liability to be determined and reported.

The OPEB liability associated with the Health Insurance Continuation Option is an actuarially-determined amount calculated in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The valuation is prepared using the Entry Age Normal actuarial cost method and amortized over an open period of 30 years using the level percentage of projected pay. Other assumptions include a 3.5 percent investment rate of return, and annual healthcare cost trend rates of two to 8.5 percent for health insurance, 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 \$79,200,156. The unfunded actuarial accrued liability as a percentage of covered payroll is 30 percent. Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. A new valuation study will be undertaken for reporting the OPEB liability as of July 1, 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 2015-16, the amount to be recognized as the annual employer OPEB cost was \$5,973,053. For fiscal year ended June 30, 2016, the City benefits paid on behalf of retirees exceeded the premiums they paid by \$1,058,108. The City elected to not pre-fund the FY 2015-16 annual OPEB cost. The amount unfunded in FY 2015-16 is \$43,102,7746, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2015-16 along with interest on the net OPEB obligation and adjustments, less payments made in relation to the FY 2015-16 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

The City discloses only pending or threatened litigation that the City has determined may have a materially adverse impact on the City's or Portland Development Commission'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. Except as noted in the following paragraph, there is no litigation pending or threatened against the City or the Portland Development Commission which would materially and adversely affect the financial condition of the Tax Increment Fund of the Area.

In 2000, Portland Harbor, a 10-mile industrial reach of the Willamette River outside of the City's urban center, was listed by the the Environmental Protection Agency (the "EPA") as a federal Superfund site. The EPA notified the City that it may have liability for releases of contaminants in the Willamette River. The City may also have liabilities to Natural Resource Trustees of the Willamette River (including tribes, and federal and state resource agencies) for damages to natural resources in Portland Harbor. The City's FY 2016-17 Adopted Budget identified expenditures for the Portland Harbor Superfund of \$6.2 million.

On January 6, 2017, the EPA issued its Record of Decision for the Portland Harbor Superfund Site which identifies the EPA's selected remedy. The EPA estimated capital costs to implement the selected remedy of approximately \$1.2 billion. The EPA is requiring an additional phase of environmental sampling before remedy design can be conducted. The time frame for that work is unknown and the work may change the expected costs of the remedy. The costs associated with the remedy have not been allocated among the numerous potentially liable parties.

The Natural Resource Trustees have not made a final determination of the total damages to natural resources and those costs have not been allocated among the numerous potentially liable parties.

The City is participating in voluntary, negotiated settlement processes to determine how cleanup costs can be allocated among all responsible parties. These processes cannot be concluded until the parties reach an agreement or the liabilities are litigated. Because properties within the Portland Harbor fall within the Area, the Portland Development Commission may be liable for a portion of the cleanup and restoration activities. The City will defend against a significant allocation of liability to the City. Under Superfund law, responsible parties that fail to enter into agreements to remediate and restore Superfund sites become subject to legal action by the EPA for cleanup and restoration, including imposition of fines. Once initiated, the remedial design and implementation phase is expected to be conducted and funded over many years. The City expects to have an extended period to identify funding strategies and to fund its share of the remedy.

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 2012, 2013, 2014, 2015, and 2016. 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, 2012 through June 30, 2016.

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
River District Urban Renewal Area Debt Redemption Fund
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Generally Accepted Accounting Principles Basis

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Revenues					
Taxes	\$30,342,382	\$30,410,410	\$31,595,733	\$28,947,188	\$29,732,592
Investment earnings	136,695	67,151	107,024	96,948	179,570
Total revenues	29,065,401	30,479,077	30,477,561	29,044,136	29,912,162
Expenditures					
Current:					
Debt service and related costs:					
Principal	2,750,000	79,728,033	4,430,000	4,575,000	4,700,000
Interest	2,264,998	4,737,677	3,186,320	3,043,298	2,916,695
Debt issuance costs	--	416,352	--	--	--
Total expenditures	5,014,998	84,882,062	7,616,320	7,618,298	7,616,695
Revenues over (under) expenditures	25,464,079	(54,404,501)	24,086,437	21,425,838	22,295,467
Other Financing Sources (Uses)					
Transfers in	--	--	772	--	--
Transfers out	(25,000,000)	(25,290,000)	(25,055,000)	(21,500,000)	(20,000,000)
Bonds and notes issued	--	--	--	--	--
Refunding bonds issued	--	73,665,000	--	--	--
Bond and note premium	--	5,405,107	--	--	--
Total other financing sources/uses	(25,000,000)	53,780,107	(25,054,228)	(21,500,000)	(20,000,000)
Net change in fund balances	464,079	(624,394)	(967,791)	(74,162)	2,295,467
Fund balances -- beginning	9,275,919	9,739,998	9,115,604	8,147,813	8,073,651
Fund balances -- ending	\$9,739,998	\$9,115,604	\$8,147,813	\$8,073,651	\$10,369,118

Source: City of Portland audited financial statements.

CITY OF PORTLAND, OREGON
River District Urban Renewal Area Debt Redemption Fund
CONSECUTIVE BALANCE SHEETS
As of June 30

	2012	2013	2014	2015	2016
ASSETS					
Restricted:					
Cash and investments	\$9,168,038	\$8,589,908	\$7,690,065	\$7,650,100	\$9,931,242
Receivables:					
Taxes	2,019,718	2,051,485	2,155,058	2,077,048	1,886,977
Accrued interest	93,580	43,070	20,618	35,945	55,432
Total assets	<u>\$11,281,336</u>	<u>\$10,684,463</u>	<u>\$9,865,741</u>	<u>\$9,763,093</u>	<u>\$11,873,651</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities payable from restricted assets:					
Deferred revenue	\$1,541,338	\$ --	\$ --	\$ --	\$ --
Deferred inflows of resources:					
Unavailable revenue - restricted	--	1,568,859	1,717,928	1,689,442	1,504,533
Total liabilities/deferred inflow of resources	<u>1,541,338</u>	<u>1,568,859</u>	<u>1,717,928</u>	<u>1,689,442</u>	<u>1,504,533</u>
Fund balances:					
Unreserved	--	--	--	--	--
Restricted	9,739,998	9,115,604	8,147,813	8,073,651	10,369,118
Total fund balances	<u>9,739,998</u>	<u>9,115,604</u>	<u>8,147,813</u>	<u>8,073,651</u>	<u>10,369,118</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$11,281,336</u>	<u>\$10,684,463</u>	<u>\$9,865,741</u>	<u>\$9,763,093</u>	<u>\$11,873,651</u>

Source: City of Portland audited financial statements.