NEW ISSUE –COMPETITIVE **BOOK-ENTRY ONLY**

City of Portland, Oregon
$28,770,000
Tax Anticipation Notes
Series 2016
(Fire and Police Disability and Retirement Fund)

DATED: Date of Delivery **DUE:** June 28, 2017

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

Ratings	Moody's MIG 1
Tax Status	In the opinion of Note Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Note Counsel, interest on the Notes is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein for a discussion of the opinion of Note Counsel.
Security	The City has irrevocably pledged the ad valorem taxes it has budgeted to receive for the Fire and Police Disability and Retirement ("FPDR") Fund in Fiscal Year ("FY") 2016-17 and its full faith and credit and taxing power to the punctual payment of principal and interest on the Notes. The principal amount of and estimated interest on the Notes is approximately 23 percent of the expected FY 2016-17 FPDR Fund tax collections.
Purpose	The Notes will be issued for the purpose of meeting current expenses of the FPDR Fund pending collection of annual tax levy receipts for FY 2016-17. Proceeds of the Notes will also be used to pay issuance costs.
Interest Payment Date	June 28, 2017, as shown in the Maturity Schedule below.
Denominations	$5,000 and any integral multiple thereof.
Closing/Settlement	On or about July 28, 2016.
Book Entry System	The Depository Trust Company.
Bond Counsel	Hawkins Delafield & Wood LLP, Portland, Oregon.
Paying Agent	U.S. Bank, National Association.

MATURITY SCHEDULE

Due	Principal Amount	Interest Rate	Price	Yield	CUSIP Number†
6/28/2017	$28,770,000	2.00%	101.248	0.63%	736679 WN7

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The City is not responsible for the selection or correctness of the CUSIP numbers set forth herein.

Official Statement Dated July 19, 2016

CITY OF PORTLAND, OREGON

1851

OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND
MULTNOMAH, WASHINGTON AND CLACKAMAS COUNTIES OREGON

$28,770,000

Tax Anticipation Notes
Series 2016
(Fire and Police Disability and Retirement Fund)

CITY COUNCIL

Charlie Hales,
Mayor and Commissioner of Finance and Administration

Amanda Fritz, Commissioner No. 1
Nick Fish, Commissioner No. 2
Dan Saltzman, Commissioner No. 3
Steve Novick, Commissioner No. 4

CITY OFFICIALS

Mary Hull Caballero, City Auditor
Jennifer Cooperman, City Treasurer
Tracy Reeve, City Attorney

Fred Miller, Chief Administrative Officer
Kenneth L. Rust, Chief Financial Officer

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NOTE COUNSEL

Hawkins Delafield & Wood LLP
Portland, Oregon

CITY OF PORTLAND, OREGON
1851

No dealer, broker, salesperson or other person has been authorized by the City of Portland (the "City") to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Note Counsel's review of this document is limited; see "Legal Matters" herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change without notice. Certain statements contained in this Official Statement are projections, forecasts and other statements about future events. These statements ("Forward Looking Statements") are not statements of historical facts and no assurance can be given that the results shown in these Forward Looking Statements will be achieved. See "FORWARD LOOKING STATEMENTS." All estimates set forth herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates are correct. So far as any statements herein involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and are not representations of fact.

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon a specific exemption contained in such act, nor have the Notes been registered under the securities laws of any state.

In making an investment decision, potential investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

In connection with this offering, the successful bidder may over allot or effect transactions which stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued, and if discontinued, then recommenced, at any time.

TABLE OF CONTENTS

INTRODUCTION 1
THE NOTES 1
- AUTHORIZATION AND PURPOSE 1
- FORM AND PAYMENT 1
- SECURITY FOR THE NOTES 1
- REDEMPTION 2
- ESTIMATED CASH FLOW FOR FY 2016-17 2

THE FPDR FUND 5
- OVERVIEW 5
- FPDR PROPERTY TAX LEVY 5
- FINANCIAL REPORTING 5

AD VALOREM PROPERTY TAX INFORMATION 8
- PROPERTY VALUATION 8
- TYPES OF PROPERTY TAXES 8
- TAX RATE COMPRESSION 9
- VOTER APPROVAL 9
- COLLECTION 9
- PROPERTY TAX EXEMPTION PROGRAMS 10

FINANCIAL AND OPERATING INFORMATION 17
- FISCAL YEAR 17
- BASIS OF ACCOUNTING 17
- AUDITS 17
- FINANCIAL REPORTING 17
- GENERAL FUND 17
- CITY BUDGET PROCESS 21
- INSURANCE 21
- PENSION PLANS: OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM 22
- PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT FUND 32
- OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB") 39
- OVERVIEW OF CITY INDEBTEDNESS 40

CITY ECONOMIC CHARACTERISTICS **50**
POPULATION 51
INCOME 52
LABOR FORCE AND UNEMPLOYMENT 52
EMPLOYMENT BY INDUSTRY 54
REAL ESTATE 56
TRANSPORTATION AND DISTRIBUTION 58
TOURISM, RECREATION AND CULTURAL ATTRACTIONS 59
HIGHER EDUCATION 59
UTILITIES 60
THE INITIATIVE PROCESS **61**
PROCESS FOR QUALIFYING STATE-WIDE INITIATIVES TO BE PLACED ON THE BALLOT 61
FUTURE STATE-WIDE INITIATIVE MEASURES 62
LOCAL INITIATIVES 62
TAX MATTERS **62**
OPINION OF NOTE COUNSEL 62
CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS 63
CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES 63
BOND PREMIUM 63
INFORMATION REPORTING AND BACKUP WITHOLDING 63
MISCELLANEOUS 64
RATING **64**
LEGAL MATTERS **64**
LITIGATION **64**
NO LITIGATION CHALLENGING THE NOTES 64
LITIGATION GENERALLY 64
CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT **65**
MISCELLANEOUS **65**
FORWARD LOOKING STATEMENTS **66**
CONTINUING DISCLOSURE **66**
CONCLUDING STATEMENT **66**
APPENDICES
A: ORDINANCE
B: EXCERPTS OF AUDITED FINANCIAL STATEMENTS
C: LEGAL OPINION
D: CONTINUING DISCLOSURE CERTIFICATE
E: BOOK-ENTRY SYSTEM

OFFICIAL STATEMENT

OF THE

CITY OF PORTLAND, OREGON

RELATED TO

$28,770,000

Tax Anticipation Notes
Series 2016
(Fire and Police Disability and Retirement Fund)

INTRODUCTION

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the "City") and its Tax Anticipation Notes, Series 2016 (Fire and Police Disability and Retirement Fund) (the "Notes"), dated as of the date of delivery.

THE NOTES

AUTHORIZATION AND PURPOSE

The Notes are being issued pursuant to Oregon Revised Statutes ("ORS") Section 287A.180 and Ordinance No. 187801 adopted June 8, 2016 (the "Ordinance"). See Appendix A for the Ordinance. The proceeds of the Notes will be used to meet current expenses of the City's Fire and Police Disability and Retirement ("FPDR") Fund pending collection of the annual tax levy receipts in FY 2016-17 and to pay costs of issuing the Notes. Included herein as Table 1 is the FPDR Fund cash flow projection for FY 2016-17 without the Notes. Table 2 presents the FPDR Fund cash flow projection for FY 2016-17 including the proceeds of the Notes.

FORM AND PAYMENT

The Notes will mature on June 28, 2017, in the principal amount shown on the cover of this Official Statement and will bear interest from the date of delivery at the interest rate indicated on the cover of this Official Statement. Interest is payable only at maturity and will be computed on a 30-day month, 360-day year basis, with no compounding of interest.

SECURITY FOR THE NOTES

The Notes are secured by a pledge of the ad valorem taxes the City has budgeted to receive for the FPDR Fund in FY 2016-17. The City pledges its full faith and credit and taxing power to the punctual payment of principal of and interest on the Notes.

The City has certified a levy of $138,900,728 for the FPDR Fund for FY 2016-17. This levy translates into a projected tax rate of $2.5067 of Assessed Value, or $1.2890 of taxable Real Market Value. After discounts and delinquencies estimated at $6.3 million, and an estimated reduction due to Tax Rate Compression of approximately $6.9 million, it is anticipated that the City will collect about $125.6 million in ad valorem taxes for the FPDR Fund levied for FY 2016-17. See "AD VALOREM PROPERTY TAX INFORMATION—TAX RATE COMPRESSION" herein. Additionally, the City has budgeted $2.45 million of prior years' property taxes to be collected in FY 2016-17. The principal of and estimated interest on the Notes is approximately 23 percent of expected FY 2016-17 FPDR Fund current and prior year tax collections.

REDEMPTION

The Notes are not subject to redemption prior to their maturity date.

ESTIMATED CASH FLOW FOR FY 2016-17

The City is issuing the Notes to provide for current expenses in its FPDR Fund until property tax revenues for FY 2016-17 are received. Property tax collections flow into the FPDR Fund at intervals that do not coincide with its expenditures. Proceeds of the Notes also will be used to maintain a working capital reserve for the FPDR Fund.

Table 1
CITY OF PORTLAND, OREGON
Fire and Police Disability and Retirement Fund
Projected Cash Flow without Tax Anticipation Notes (1)
Fiscal Year Ending June 30, 2017
(000s)

Period Ending Date	31-Jul	31-Aug	30-Sep	31-Oct	1 Nov – 9 Nov	10 Nov – 30 Nov	31-Dec	31-Jan	28-Feb	31-Mar	30-Apr	31-May	30-Jun	Total
BEGINNING BALANCE	$21,966	$12,967	$3,477	($15,461)	($18,439)	($28,101)	$60,663	$76,564	$65,114	$55,562	$39,457	$36,589	$26,802	$21,966
REVENUES														
Property Taxes	768	499	346	333	-	89,330	25,704	1,422	781	3,842	551	628	3,868	128,072
Interest Earned	54	47	42	40	-	8	3	0	0	11	45	41	30	322
Miscellaneous	6	6	6	6	-	6	436	6	6	6	6	6	474	969
Tax Anticipation Notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Resources	$22,795	$13,520	$3,871	($15,082)	($18,439)	$61,243	$86,806	$77,992	$65,902	$59,422	$40,059	$37,264	$31,174	$151,329
EXPENDITURES														
Materials & Services														
Base Pensions	$9,081	$9,254	$18,501	$0	$9,310	$0	$9,409	$9,391	$9,507	$18,971	$0	$9,470	$9,457	$112,350
Supplemental Pensions	21	21	21	21	21	-	21	21	21	21	21	21	21	250
Short-term Disability	149	149	224	149	-	149	149	149	149	224	149	149	149	1,939
Long-Term Disability	149	144	136	131	131	-	131	131	131	131	142	142	142	1,643
Medical/Voc Rehab/Funeral	165	205	165	165	86	188	256	256	256	319	256	319	256	2,895
Limited Duty Subsidy	-	-	-	97	-	-	-	97	-	-	97	-	140	431
OPSRP Reimbursements	-	-	-	2,525	-	-	-	2,525	-	-	2,525	-	2,525	10,100
Administrative Expenses	259	265	281	264	111	243	271	303	272	295	275	356	305	3,500
Capital Outlay	4	4	4	4	4	-	4	4	4	4	4	4	4	46
TANs Repayment & Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	$9,828	$10,043	$19,332	$3,356	$9,663	$580	$10,242	$12,878	$10,340	$19,964	$3,470	$10,461	$12,999	$133,154
ENDING BALANCE	$12,967	$3,477	($15,461)	($18,439)	($28,101)	$60,663	$76,564	$65,114	$55,562	$39,457	$36,589	$26,802	$18,176	$18,176

Notes:

(1) Does not include proceeds or repayment of tax anticipation borrowing.

Source: City of Portland.

Table 2
CITY OF PORTLAND, OREGON
Fire and Police Disability and Retirement Fund
Projected Cash Flow with Tax Anticipation Notes
Fiscal Year Ending June 30, 2017
(000s)

Period Ending Date	31-Jul	31-Aug	30-Sep	31-Oct	1 Nov – 9 Nov	10 Nov – 30 Nov	31-Dec	31-Jan	28-Feb	31-Mar	30-Apr	31-May	30-Jun	Total
BEGINNING BALANCE	$21,966	$42,071	$32,581	$13,643	$10,665	$1,003	$89,770	$105,688	$94,251	$84,707	$68,612	$65,761	$55,992	$21,966
REVENUES														
Property Taxes	768	499	346	333	-	89,330	25,704	1,422	781	3,842	551	628	3,868	128,072
Interest Earned	54	47	42	40	-	11	20	14	8	21	62	58	46	423
Miscellaneous	6	6	6	6	-	6	436	6	6	6	6	6	474	969
Tax Anticipation Notes	29,126	-	-	-	-	-	-	-	-	-	-	-	-	29,126
Total Resources	$51,921	$42,624	$32,975	$14,022	$10,665	$90,349	$115,929	$107,129	$95,047	$88,576	$69,231	$66,453	$60,379	$180,557
EXPENDITURES														
Materials & Services														
Base Pensions	$9,081	$9,254	$18,501	$0	$9,310	$0	$9,409	$9,391	$9,507	$18,971	$0	$9,470	$9,457	$112,350
Supplemental Pensions	21	21	21	21	21	-	21	21	21	21	21	21	21	250
Short-term Disability	149	149	224	149	-	149	149	149	149	224	149	149	149	1,939
Long-Term Disability	149	144	136	131	131	-	131	131	131	131	142	142	142	1,643
Medical/Voc Rehab/Funeral	165	205	165	165	86	188	256	256	256	319	256	319	256	2,895
Limited Duty Subsidy	-	-	-	97	-	-	-	97	-	-	97	-	140	431
OPSRP Reimbursements	-	-	-	2,525	-	-	-	2,525	-	-	2,525	-	2,525	10,100
Administrative Expenses	259	265	281	264	111	243	271	303	272	295	275	356	305	3,500
Capital Outlay	4	4	4	4	4	-	4	4	4	4	4	4	4	46
TANs Repayment & Issue Costs	23	-	-	-	-	-	-	-	-	-	-	-	29,297	29,320
Total Expenditures	$9,850	$10,043	$19,332	$3,356	$9,663	$580	$10,242	$12,878	$10,340	$19,964	$3,470	$10,461	$42,296	$162,474
ENDING BALANCE	$42,071	$32,581	$13,643	$10,665	$1,003	$89,770	$105,688	$94,251	$84,707	$68,612	$65,761	$55,992	$18,083	$18,083

Source: City of Portland.

THE FPDR FUND

OVERVIEW

The Bureau of Fire & Police Disability & Retirement administers disability, death, and retirement benefits to Portland firefighters, police officers, and their survivors. Most of the fire and police sworn personnel are covered under the FPDR Plan. For information about the FPDR Plan, see “FINANCIAL AND OPERATING INFORMATION—PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT FUND” herein.

The FPDR Fund was established by adoption of Chapter 5 of the City Charter by the voters at the general election held November 2, 1948, and is administered by a Board of Trustees. The Board of Trustees of the FPDR Fund also administers a Reserve Fund, authorized under provisions of Chapter 5 (Section 5-104) of the City Charter. The Reserve Fund’s purpose is to provide a reserve from which advances can be made to the FPDR Fund in the event the latter is depleted to the extent it cannot meet its current obligations. Under provisions of the City Charter, the Reserve Fund maximum is established at $750,000 and was fully funded as of June 30, 2016.

FPDR PROPERTY TAX LEVY

The City Charter and current Oregon tax law only allow the City to impose the FPDR property tax levy to pay current obligations, which include current benefits delivered through the FPDR Plan as well as contributions to the Public Employees Retirement System (“PERS”) for individuals whose retirement benefits are delivered through PERS. As required by Charter, the FPDR Fund’s Board of Trustees prepares an estimate of the amount required to pay and discharge all requirements of the FPDR Fund, exclusive of any loans or advances, for the next succeeding fiscal year and submits this estimate to the City Council. The Council is required by Charter to levy a tax sufficient to provide amounts necessary to meet estimates provided by the Board of Trustees. Funding for the FPDR Plan is accomplished by imposition of a special property tax levy which cannot exceed $2.80 per $1,000 of real market value. Proceeds of that levy are credited to the FPDR Fund.

Property taxes are imposed on “assessed value” which is typically lower than real market value. Property tax rates are normally expressed as rates against assessed value. The FY 2015-16 levy of $133,795,013 required a tax rate of approximately $1.30 per $1,000 of taxable real market value, or about 46.6 percent of the maximum rate permitted by the Charter. That rate, calculated against assessed value, is approximately $2.4990 per $1,000 of assessed value. See “AD VALOREM PROPERTY TAX INFORMATION” below for more information on the State of Oregon property tax system.

The FPDR property tax levy has been sufficient in all years to meet required annual benefit payments. In the event that funding for the FPDR Plan is less than the required payment of benefits to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the $2.80 per $1,000 of real market value limit, other City funds would be required to make up the difference. See also “FINANCIAL AND OPERATING INFORMATION—PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT FUND” herein.

FINANCIAL REPORTING

Tables on the following pages are excerpted from the audited financial statements of the FPDR Fund and the FPDR Reserve Fund for the Fiscal Years ending June 30, 2011, through June 30, 2015. 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 the Notes and is therefore not associated with the offering of the Notes.

Table 3
CITY OF PORTLAND, OREGON
Fire and Police Disability and Retirement Pension Trust Funds (1)
Statement of Changes in Fiduciary Net Position (2)
Generally Accepted Accounting Principles Basis
for Fiscal Year Ended June 30

	2011	2012	2013	Restated 2014	2015
ADDITIONS					
Contributions:					
Property taxes	$110,605,734	$105,880,356	$112,542,969	$120,013,176	$122,063,640
Pension recovery (3)	2,742,419	54,738	0	0	0
Other	66,519	169,467	455,590	662,326	836,992
Total contributions	113,414,672	106,104,561	112,998,559	120,675,502	122,900,632
Net investment income	440,731	257,054	119,685	312,468	294,884
Total additions	113,855,403	106,361,615	113,118,244	120,987,970	123,195,516
DEDUCTIONS					
Benefit payments	101,379,926	108,208,556	112,930,888	114,024,585	117,948,460
Administrative expenses	3,358,573	3,392,450	3,425,724	3,585,476	3,085,925
Refunds	18,861	0	48,719	0	0
Total deductions	104,757,360	111,601,006	116,405,331	117,610,061	121,034,385
Change in net position	9,098,043	(5,239,391)	(3,287,087)	3,377,909	2,161,018
Net position – beginning	16,583,450	25,681,493	20,442,102	17,155,015	19,715,924
Restatement per GASB 68				(817,000)	
Net position – ending	$25,681,493	$20,442,102	$17,155,015	$19,715,924	$21,876,942

Notes:

(1) Includes Fire and Police Disability and Retirement Fund and Fire and Police Disability and Retirement Reserve Fund.
(2) Beginning in 2013, information is reported in accordance with Statement of Governmental Accounting Standards No. 63: Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
(3) Includes recovery of pension overpayments made between February 1997 and December 2008 due to an error in calculating additional pension benefits mandated by the Oregon Revised Statutes to fully or partially offset state income taxes. The overpayments totaled $2.9 million to 984 individuals. Litigation on the recovery was settled in 2013, with a net recovery to FPDR of $1.4 million.

Source: City of Portland Fire and Police Disability and Retirement Fund and Fire and Police Disability and Retirement Reserve Fund audited financial statements.

Table 4
CITY OF PORTLAND, OREGON
Fire and Police Disability and Retirement Funds (1)
Statement of Fiduciary Net Assets
As of June 30

	2011	2012	2013	Restated 2014 (2)	2015
Assets					
Current assets (unrestricted)					
Cash and investments	$24,833,353	$21,441,086	$21,796,998	$21,751,684	$26,199,648
Receivables				0	
Property tax	6,555,141	7,658,565	7,770,556	8,231,915	7,398,731
Interest	250,754	179,019	106,218	81,686	134,210
Accounts, net	27,342	0	7,045	700	17,486
Pension overpayment recovery (3)	2,733,381	1,863,667	381,368	42,198	31,227
Prepaid expenses	322,911	305,378	287,845	0	0
Capital assets	33,240	154,299	309,082	488,069	510,422
Total assets	34,756,122	31,602,014	30,659,112	30,596,252	30,866,564
Deferred outflows of resources					
Deferred outflows - pensions				89,364	94,288
Liabilities					
Benefits payable	8,022,883	8,384,232	8,970,625	8,925,924	9,407,566
Compensated absences	445,927	643,822	765,492	810,727	905,762
Bonds payable	474,521	456,512	435,618	411,621	384,259
Accrued interest payable	102,146	115,933	130,834	146,940	164,348
Contingent pension liability (4)	0	1,526,453	3,164,255	0	1,325,000
FPDR share of City PERS pension liability				636,052	0
FPDR share of other post-employment benefits	29,152	32,960	37,273	38,428	39,921
Total liabilities	9,074,629	11,159,912	13,504,097	10,969,692	12,226,856
Deferred inflows of resources					
FPDR share of City PERS pension plan deferrals	0	0	0	0	564,755
Net Position					
Invested in capital assets	33,240	154,299	0	0	0
Held in trust for pension benefits	25,648,253	20,287,803	17,155,015	19,715,924	21,876,942
Total net position	$25,681,493	$20,442,102	$17,155,015	$19,715,924	$21,876,942

Notes:

(1) Includes Fire and Police Disability and Retirement Fund and Fire and Police Disability and Retirement Reserve Fund.
(2) Restatement due to implementation of GASB 68.
(3) This line represents recovery of pension overpayments made between February 1997 and December 2008 due to an error in calculating additional pension benefits mandated by the Oregon Revised Statutes to fully or partially offset state income taxes. The overpayments totaled $2.9 million to 984 individuals. Litigation on the recovery was settled in 2013, with a net recovery to FPDR of $1.4 million.
(4) A contingent liability was booked in fiscal years ending 2012 and 2013 related to litigation. The litigation was resolved in fiscal year ending 2014, and the associated settlement payments are reflected in the FPDR Fund’s July 1, 2014 beginning fund balance.

Source: City of Portland Fire and Police Disability and Retirement Fund and Fire and Police Disability and Retirement Reserve Fund audited financial statements.

AD VALOREM PROPERTY TAX INFORMATION

The ad valorem property tax is widely used by Oregon cities, counties, schools and other local governments for a variety of purposes. Oregon's property tax system is established by statewide statutes and limited by two constitutional amendments created by citizen initiatives. Voter approval is required to authorize new property taxes. Taxes are levied by individual local governments, but are imposed, collected and distributed by the counties in which the local governments are located.

PROPERTY VALUATION

"Real Market Value" is the county assessor's estimate of the current market value of property. Real Market Value limits Assessed Value (defined below) and is often used in Oregon law to set debt limits. However, the primary use of Real Market Value is to determine whether there is Tax Rate Compression. See "—Tax Rate Compression" below.

Property used for charitable, religious, fraternal and governmental purposes is exempt from property taxation. Special assessments that provide a reduction in the taxable Real Market Value may be granted (upon application) for veterans' homesteads, farm and forest land, open space and historic building. In this Official Statement "Market Value" refers to the Real Market Value of properties that are not specially assessed, and to the special assessment value of properties that are specially assessed. Assessed Value and Real Market Value of certain transportation, communication and utility properties is determined centrally by the State of Oregon. The Assessed Value and Real Market Value of other property is determined locally by the county assessors.

Oregon law requires property taxes to be imposed based on the "Assessed Value" of the property. The Assessed Value of property was initially established in 1997 as a result of a constitutional amendment. That amendment (now Article XI, Section 11, often called "Measure 50") assigned each property an Assessed Value and limited increases in that Assessed Value to three percent per year, unless the property is improved, rezoned, subdivided, or ceases to qualify for exemption. When property is newly constructed or reassessed because it is improved, rezoned, subdivided, or ceases to qualify for exemption, it is assigned an Assessed Value that is comparable to the Assessed Value of similar property. The Assessed Value of each parcel cannot exceed its Market Value, and ordinarily is less than its Market Value.

Permanent tax rate levies and rate-based local option levies are imposed on Assessed Value. If Assessed Values increase, collections from those levies will increase, and if Assessed Values decrease collections from those levies will decrease. Local governments instruct the county assessor to collect a dollar amount for general obligation bond levies and fixed-dollar local option levies; for those levies changes in Assessed Value has little effect on collections. See "—TYPES OF PROPERTY TAXES—Local Option Levies" below.

TYPES OF PROPERTY TAXES

Permanent Tax Rate Levies

The City and other local governments levying taxes for operations in FY 1997-1998 received permanent tax rates in connection with the approval of Article XI, Section 11 of the Oregon Constitution. The City has a permanent tax rate of $4.5770/$1,000 of Assessed Value. Revenues from imposing the permanent tax rate can be spent for any lawful purpose. Permanent tax rates cannot be increased. Governments that have not levied property taxes in the past may be authorized by their voters to impose new permanent tax rate levies. Permanent tax rate levies are subject to Tax Rate Compression.

Local Option Levies

Oregon law allows voters of local governments to authorize "local option levies." Local option levies are limited term levies. Local option levies that only finance capital costs can have a term of up to ten years. Local option levies cannot have a term of more than five years if levy revenues are used to finance operating costs. Voters can approve "fixed-rate levies" that permit the government to impose a tax rate each year of the levy, or "fixed-dollar levies" that allow the government to levy a specified dollar amount each year. Local option levies are subject to Special Tax Rate Compression.

City voters renewed a five-year levy for the City's Children's Investment Fund at a rate of $0.4026 per $1,000 of Assessed Value in May 2013. This local option levy took effect took effect in FY 2014-15 and extends for five years. See Table 6 for local option levies of other local governments.

The FPDR Levy

The Oregon Constitution allows the City to impose the FPDR levy described in the Charter in addition to other City levies authorized by Oregon law. Other local governments are not authorized to impose similar, additional levies. See "THE FPRD FUND—FPDR PROPERTY TAX LEVY" above. The FPDR levy is subject to Tax Rate Compression.

General Obligation Bond Levies

Oregon law allows voters of local governments to authorize general obligation bonds to finance capital costs. General obligation bond levies are not subject to Tax Rate Compression.

Special Levies for Urban Renewal Areas

Some urban renewal areas that existed when Measure 50 was adopted are authorized to impose taxes throughout the boundaries of their creating city or county. Special urban renewal levies are subject to Tax Rate Compression. The City has four urban renewal areas with this taxing authority.

TAX RATE COMPRESSION

Article XI, Section 11b of the Oregon Constitution requires that property taxes (other than taxes for general obligation bonds) be divided into two categories: "non-school taxes," which fund the operations of local governments other than schools, and "school taxes," which fund operations of the public school system and community colleges. Total non-school taxes on a parcel are not permitted to exceed $10 per $1,000 of Market Value and total school taxes on a parcel are not permitted to exceed $5 per $1,000 of Market Value.

If the combined tax rates within a category exceed the rate limit for the category, taxes within the category are reduced until total taxes for the category do not exceed the rate limit for the category. This reduction is called "Tax Rate Compression." All local option levies are reduced first and proportionally, to zero if required. This reduction of local option levies is called "Special Tax Rate Compression." If there are no local option levies, or local option levies have been reduced to zero, the remaining taxes in the category are reduced proportionally until total taxes in the category do not exceed the category limit.

Taxes levied to pay general obligation bonds are not subject to Tax Rate Compression.

Article XI, Section 11b of the Oregon Constitution also limits the ability of the City and other local governments to impose certain other charges on property and property ownership.

VOTER APPROVAL

New local option levies, levies for new general obligation bonds (but not refunding bonds), and permanent rate limits for governments that have not previously levied operating taxes must be approved at an election that is held in May or November, or at another election in which not less than 50 percent of the eligible registered voters cast ballots.

COLLECTION

The county tax collectors extend authorized levies, compute tax rates, bill and collect all taxes and make periodic remittances of collections to the city and other taxing districts. County tax collectors also calculate Tax Rate Compression.

Tax collections are segregated into two pools, one for school taxes and one for non-school taxes. Each taxing body shares in its pool on the basis of its tax rate and the Assessed Value of property in its boundaries (after adjustment for Tax Rate Compression), regardless of the actual collection experience for property taxes imposed within each taxing body's boundaries. This causes each taxing body to have the same tax collection rate as other taxing bodies within the county. For example, if the county tax collector collects 90 percent of the property taxes imposed on property in the county, each taxing body will receive 90 percent of the taxes it imposed (after adjustment for Tax Rate Compression).

Taxes are levied and become a lien on July 1 and tax payments are due November 15 of the same calendar year. Under the partial payment schedule the first third of taxes are due November 15, the second third on February 15 and the remaining third on May 15. A three-percent discount is allowed if full payment is made by the due date, two-percent for a two-thirds payment. Late payment interest accrues at a rate of 1.33 percent per month. Property is subject to foreclosure three years after the taxes become delinquent.

The State of Oregon (the "State") operates a property tax deferral program for certain senior or disabled taxpayers. The State pays the deferred taxes to the county assessors when they are due, and the program does not adversely affect city tax collections.

PROPERTY TAX EXEMPTION PROGRAMS

Oregon statutes authorize a wide variety of full and partial property tax exemptions, including exemptions for property owned or used by cities, counties, schools and other local governments , property of the federal government, property used by religious and charitable entities, property used for low income housing, historical property, property located in enterprise zones, and transit oriented property. The City promotes and administers some of these property tax exemptions, but many exemptions are available to property owners without the consent of the City.

TRENDS IN PROPERTY VALUATION AND TAXATION

The following tables present trends in property valuation and taxation for the City.

Table 5
CITY OF PORTLAND, OREGON
Historical Trends in Assessed and Market Values (1)
(000s)

Assessed Value

Fiscal Year	Inside Multnomah County	Outside Multnomah County	Urban Renewal Incremental Value	Total Assessed Value	Percent Change
2006-07	$38,638,637	$197,885	$4,965,439	$41,801,961	4.62%
2007-08	38,253,186	201,380	5,740,426	44,194,992	5.72%
2008-09	39,784,128	203,038	6,377,050	46,364,216	4.91%
2009-10	41,109,227	211,157	7,056,631	48,377,015	4.34%
2010-11	42,160,414	214,998	7,462,728	49,838,140	3.02%
2011-12	43,543,881	215,497	7,493,903	51,253,281	2.84%
2012-13	44,401,735	221,758	7,875,076	52,498,569	2.43%
2013-14	45,913,168	228,953	8,210,399	54,352,520	3.53%
2014-15	47,828,360	239,309	8,704,286	56,771,955	4.45%
2015-16	49,745,000	245,505	9,362,187	59,352,691	4.55%

Market Value (Measure 5) (2)

Fiscal Year	Inside Multnomah County	Outside Multnomah County	Total Market Value	Percent Change
2006-07	$72,566,725	$336,963	$72,903,688	11.63%
2007-08	83,935,421	355,558	84,290,979	15.62%
2008-09	90,002,463	355,981	90,358,444	7.20%
2009-10	88,691,826	330,284	89,022,110	-1.48%
2010-11	86,062,318	312,362	86,374,680	-2.97%
2011-12	80,872,627	290,808	81,163,435	-6.03%
2012-13	79,611,406	284,830	79,896,236	-1.56%
2013-14	83,745,200	299,696	84,044,896	5.19%
2014-15	92,289,836	328,499	92,618,336	10.20%
2015-16	102,284,607	343,534	102,628,140	10.81%

Notes:

(1) Under the provisions of Ballot Measure 50, beginning with FY 1997-98, Real Market Value and Assessed Value are no longer the same. Measure 50 rolled back the Assessed Value of each property for tax year 1997-98 to its 1995-96 Real Market Value, less ten percent. The Measure further limits any increase in Assessed Value to three percent for tax years after 1997-98, except for property that is substantially improved, rezoned, or subdivided, or property which ceases to qualify for a property tax exemption. This property will be assigned a new Assessed Value equal to the Assessed Value of comparable property in the area.

(2) Measure 5 Market Values are not calculated separately for urban renewal incremental value by the county assessor. Market Value reported in this table is "Measure 5 Value," which represents the real market value of properties that are not specially assessed; and the value of specially assessed properties, including farm and forestland and exempt property which are less than full real market value. In FY 2014-15, the Measure 5 Market Value of City of Portland properties within Multnomah County represented about 83 percent of full real market value.

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

Table 6
CITY OF PORTLAND, OREGON
Consolidated Tax Rate: Fiscal Year 2015-16
Levy Code 201 (1)

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	$2.9016	$0.2840	$7.7626
Urban Renewal Special Levy	0.0000	0.2527	0.0000	0.2527
Multnomah County	4.3434	0.0500	0.0938	4.4872
Multnomah County Library	1.1800	0.0000	0.0000	1.1800
Metro	0.0966	0.0960	0.1957	0.3883
Port of Portland	0.0701	0.0000	0.0000	0.0701
Tri-County Metropolitan Trans. Dist.	0.0000	0.0000	0.0000	0.0000
East Multnomah Soil & Conservation	0.0904	0.0000	0.0000	0.0904
Subtotal - General Government	10.3575	3.3003	0.5735	14.2313
Portland School District	5.2781	1.9900	1.0951	6.3732
Portland Community College	0.2828	0.0000	0.3027	0.5855
Multnomah Co. Education Svc. Dist.	0.4576	0.0000	0.0000	0.4576
East Multnomah Soil & Conservation	0.0096	0.0000	0.0000	0.0096
Subtotal - Schools	6.0281	1.9900	1.3978	7.4259
Totals	$16.3856	$5.2903	$1.9713	$23.6472

Notes:

(1) Includes the City Fire and Police Disability and Retirement pension levy, the City children's local option levy, the Metro natural areas local option levy, the Multnomah County historical society levy, and the Portland Public Schools local option levy. Does not include impact of urban renewal division of tax rates.

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

State statutes limit taxes on any property to $10 per $1,000 of real market value for general government and $5 per $1,000 of real market value for education. If the amount of taxes to be raised, calculated by multiplying tax rates in each category by the assessed value of a property, exceeds these limits, then the tax burden for that property is reduced to fit within the limits. This reduction is known as Measure 5 compression. See "PROPERTY TAX INFORMATION—TAX RATE COMPRESSION" herein. The following table provides a ten-year history of Measure 5 compression for the City's general levy and Fire and Police Disability and Retirement levy.

The following table provides a ten-year history of Tax Rate Compression for the City's general levy and Fire and Police Disability and Retirement levy.

Table 7
CITY OF PORTLAND, OREGON
Historical Trends in Measure 5 Compression (1)

Fiscal Year	Taxes to Raise (2) (3)	Loss due to Compression and Other Factors	Percent Loss	Taxes Imposed (4)
2006-07	$262,347,020	$(7,253,411)	2.8%	$255,093,609
2007-08	280,243,725	(7,583,824)	2.7%	272,659,901
2008-09	303,749,800	(9,066,710)	3.0%	294,683,091
2009-10	314,065,487	(9,943,163)	3.2%	304,122,325
2010-11	323,076,449	(11,822,996)	3.7%	311,253,452
2011-12	324,830,012	(15,998,964)	4.9%	308,831,048
2012-13	339,036,075	(21,536,768)	6.4%	317,499,307
2013-14	359,304,753	(34,707,746)	9.7%	324,597,007
2014-15	370,294,495	(27,485,079)	7.4%	342,809,417
2015-16	377,363,933	(21,084,537)	5.6%	356,279,396

Notes:

(1) Taxes shown are for the City's general levy and its Fire and Police Disability and Retirement levy. Results shown are taxes collected by the City from properties in Multnomah County only. The City also collects taxes from properties located in Washington and Clackamas Counties; historically, taxes from these counties represent less than one percent of total taxes.

(2) Before Measure 5 compression.

(3) Includes small losses due to miscellaneous adjustments made by the county assessor.

(4) Before losses due to delinquencies and discounts.

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

Table 8
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 3/31/2016 (3)
2006-07	$363,073	97.2%	100.0%
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%	99.3%
2012-13	452,453	97.2%	99.2%
2013-14	467,516	97.3%	98.9%
2014-15	490,540	97.6%	98.6%
2015-16	516,334	94.5% (4)	94.5%

Notes:

(1) Tax collection information is for Multnomah County, which represents approximately 99.5% 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 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 3/31/2016.

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

Table 9
CITY OF PORTLAND, OREGON
Assessed and Market Value of City Property in Multnomah County (1)
by Property Type (FY 2015-16)

Property Type	Assessed Value	Percent of Total	Market Value (Measure 5)	AV/RMV Ratio
Real Property				
Residential	$35,955,737,122	60.8%	$63,930,050,332	56.2%
Commercial/Industrial (County Assessed)	12,402,934,640	21.0%	23,219,736,210	53.4%
Industrial (State Assessed)	706,163,670	1.2%	767,820,140	92.0%
Multiple Family Housing	3,688,931,720	6.2%	7,612,135,720	48.5%
Other	57,003,810	0.1%	82,310,430	69.3%
Subtotal	52,810,770,962	89.3%	95,612,052,832	
Personal Property	2,137,456,802	3.6%	2,138,750,832	99.9%
Machinery and Equipment	1,201,564,180	2.0%	1,236,534,560	97.2%
Manufactured Property	84,266,020	0.1%	118,691,610	71.0%
Utilities	2,873,128,080	4.9%	3,178,576,685	90.4%
Total	$59,107,186,044	100.0%	$102,284,606,519	

Notes:

(1) Excludes Clackamas and Washington County resulting in differences from other tables reporting Assessed Value and Market Value in this disclosure document.

Source: "Table 7a – TAXABLE ASSESSED VALUE AND REAL MARKET VALUE BY PROPERTY CLASS, Tax Year 2015-16," City of Portland, Multnomah County Division of Assessment, Recording and Taxation.

Table 10
CITY OF PORTLAND, OREGON
Top Ten Property Taxpayer Accounts (1)

Taxpayer Account	Type of Business	FY 2015-16 Assessed Value	Percent of Total Assessed Value
Total City Assessed Value		$59,352,691,160	100.00%
Pacificorp (PP&L)	Energy	329,165,000	0.55%
Portland General Electric Co.	Energy	293,872,550	0.50%
Alaska Airlines Inc.	Airline	277,694,700	0.47%
Comcast Corporation	Communications	260,447,400	0.44%
Weston Investment Co. LLC	Real estate (office)	251,746,610	0.42%
Evraz Inc., NA	Steel plate manufacturing	218,464,720	0.37%
CenturyLink	Communications	194,518,000	0.33%
AT&T Inc.	Communications	185,100,800	0.31%
CAPREF Lloyd Center LLC	Real estate (retail)	173,304,140	0.29%
Kaiser Foundation Health Plan NW	Health care	160,136,080	0.27%
Total		$2,344,450,000	3.95%

Notes:

(1) Excludes Assessed Value of various properties totaling about $566 million that are owned and leased by the Port of Portland to various tenants subject to property taxation.

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

FINANCIAL AND OPERATING INFORMATION

FISCAL YEAR

July 1 to June 30.

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").

AUDITS

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. Moss Adams LLP has performed auditing services for FY 2002-03 through FY 2014-15.

A complete copy of the City's FY 2014-15 audit is available on the Electronic Municipal Market Access (EMMA) system for municipal securities disclosure established by the MSRB and accessible at http://emma.msrb.org. Excerpts of the City's audited financial statements for the City's General Fund on a GAAP basis are found in Appendix B.

FINANCIAL REPORTING

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

GENERAL FUND

Overview

The General Fund includes all activities of the City that are supported by property taxes and other non-dedicated revenues, including utility license fees, business license fees, transient lodging taxes, state shared revenues (from cigarette and liquor taxes), interest income, and miscellaneous revenues and beginning cash balances. General Fund resources are used to support such City services as police, fire and parks, as well as planning, community development and administrative support services.

No Material Liens

The City has not granted any material liens on amounts in the General Fund. The limited tax bonds of the City and the salaries and other expenses of the City that are paid from the General Fund all have an unsecured claim to amounts in the General Fund.

General Fund Revenues

Major categories of revenues that are accounted for in the General Fund are described below. Table 11, excerpted from the City's annual financial statements, presents a Schedule of Revenues and Expenditures on a budgetary basis.

Taxes. Taxes consist of two categories: property taxes and transient lodging taxes. Property taxes constitute the largest revenue source, representing 40.2 percent of total General Fund revenues in FY 2014-15. Property taxes consist of current year and prior year property taxes collected from the City's $4.5770/$1,000 permanent rate levy ($210.8 million). See "PROPERTY TAX AND VALUATION INFORMATION – Section 11 – Permanent Tax Rate" herein.

The transient lodging tax is a tax on transient lodgers, which are daily or weekly renters at hotels, motels and other lodging establishments. The tax rate within Multnomah County currently is 11.5 percent. Of the 11.5 percent transient lodging tax collected within the City, 6.0 percent is allocated to the City, with 5.0 percent going to the City's General Fund and 1.0 percent going to Travel Portland (formerly the Portland Visitors Association). The remaining 5.5 percent is allocated to Multnomah County. Transient lodging taxes were 5.1 percent of General Fund revenues in FY 2014-15, or $27.0 million.

Licenses and Permits. Licenses and permits represented $184.88 million, or 35.2 percent of the General Fund revenues, in FY 2014-15. Within this category are business license fee revenues collected from firms doing business within the City. The City's business license fee is based upon net apportioned income, and must be paid in advance for each year of business. Utility license fees, which are paid by public utilities such as electric, natural gas, communications, and cable providers, doing business in Portland, are another major revenue source. Additionally, utility license fee revenues are derived from fees charged to their customers by the City's water and sewer utilities.

Intergovernmental Revenues. Intergovernmental revenues (5.4 percent of the FY 2014-15 General Fund revenues, or about $28.5 million) consist largely of State-shared revenues (including taxes on cigarettes and liquor), and also include revenues from Multnomah County and other local governments for their shares of expenses of specific programs or activities that are administered by the City. The City (along with the State and Multnomah County) also receives a share of revenues from traffic court fines, classified as local shared revenues.

Charges for Services. Charges for services were $22.4 million, or 4.3 percent of General Fund revenues in FY 2013-14. This category includes rents and reimbursements received for use of City-owned property such as City Hall, JELD-WEN Field and other facilities, and parks and recreation facilities fees.

Other Sources. The General Fund receives revenues from a variety of other sources. Approximately 4.5 percent of its revenues are received from City bureaus and agencies related to specific services that are paid from this fund. Additionally, all bureaus whose programs are supported by the General Fund pay a share of centralized service or overhead costs. In total, these overhead billings represented 4.3 percent of General Fund revenues in FY 2014-15. Other sources include investment earnings, payments in lieu of taxes, and General Fund intrafund revenue.

Table 11
CITY OF PORTLAND, OREGON
General Fund Statement of Revenues and Expenditures
(Actual Results Reported on a Budgetary Basis)

	FY 2010-11	2011-12	2012-13	2013-14	2014-15
REVENUES					
Taxes:					
Current/prior year property taxes	$192,368,379	$193,983,222	$197,507,101	$196,641,917	$210,759,067
Lodging taxes	16,011,008	17,836,176	21,616,835	22,317,995	27,006,075
Total taxes	208,379,387	211,819,398	219,123,936	218,959,912	237,765,142
Licenses and permits:					
Business licenses, net	65,624,418	72,926,005	78,214,550	81,020,111	97,883,936
Public utility licenses (1)	54,296,377	52,498,486	76,046,626	80,934,161	81,864,957
Other	4,032,214	4,708,014	5,547,990	5,926,077	5,132,236
Total licenses and permits	123,953,009	130,132,505	159,809,166	167,880,349	184,881,129
Intergovernmental					
Federal cost sharing	95,210	178,764	242,492	412,646	234,784
State sources	12,772,716	13,382,910	14,462,170	15,158,113	15,847,105
County sources	1,443,044	1,476,301	1,751,625	2,233,646	2,413,115
Local sources/other	11,072,092	10,009,481	10,165,246	9,396,013	9,968,546
Total intergovernmental	25,383,062	25,047,456	26,621,533	27,200,418	28,463,550
Charges for services:					
Rents and reimbursements	3,959,316	3,932,082	4,180,073	4,738,380	4,686,789
Parks and recreation facilities fees	9,978,134	11,047,035	11,320,567	11,222,573	12,619,131
Other	3,606,476	2,885,982	3,011,963	4,075,303	5,121,560
Total charges for services	17,543,926	17,865,099	18,512,603	20,036,256	22,427,480
Billings to other funds for services	20,827,898	23,330,723	24,081,119	22,652,985	23,697,573
Billings to other funds for general and overhead	21,642,330	24,653,330	24,239,120	26,820,138	22,631,517
Other	3,855,850	5,239,827	5,276,207	4,555,266	4,716,135
TOTAL REVENUES	$421,585,462	$438,088,338	$477,663,684	$488,105,324	$524,582,526

Table 11 (continued)
CITY OF PORTLAND, OREGON
General Fund Statement of Revenues and Expenditures
(Actual Results Reported on a Budgetary Basis)

EXPENDITURES	**FY 2010-11**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
Public Safety	$245,806,746	$266,626,788	$261,898,496	$263,575,204	$283,790,905
Parks, Recreation and Culture	58,513,350	61,644,892	61,244,469	62,880,816	69,099,478
Community Development	31,821,045	35,402,450	34,957,090	31,941,264	36,809,631
Legislative/Admin. Support Services	66,736,869	72,205,989	79,643,695	77,082,813	78,552,089
Debt service and related costs	5,318,785	5,726,067	6,275,927	6,824,590	7,452,062
Capital outlay	1,681,931	830,082	2,242,769	684,239	0
TOTAL EXPENDITURES	409,878,726	442,436,268	446,262,446	442,988,926	475,704,165
Revenues Over / (Under) Expenditures	11,706,736	(4,347,930)	31,401,238	45,116,398	48,878,361
OTHER FINANCING SOURCES/(USES)					
Transfers from other funds (1)	25,060,023	20,265,184	3,392,120	10,936,309	4,850,709
Transfers to other funds	(32,484,221)	(35,751,260)	(34,582,631)	(48,217,980)	(43,415,208)
Internal loan proceeds/remittances	8,006,660	(3,351,000)	5,311,226	(136,491)	(1,323,735)
Sale of capital asset	5,653	2,998	21,307	-	300
TOTAL OTHER FINANCING			-		
SOURCES / (USES)	588,115	(18,834,078)	(25,857,978)	(37,418,162)	(39,887,934)
Net Change in Fund Balance	12,294,851	(23,182,008)	5,543,260	7,698,236	8,990,427
Beginning Fund Balance, Budgetary Basis	34,712,975	47,007,826	23,825,818	29,369,078	37,067,314
Ending Fund Balance, Budgetary Basis	$47,007,826	$23,825,818	$29,369,078	$37,067,314	$46,057,741
Adjustments to GAAP basis:					
General Reserve Fund budgeted					
as separate fund	$46,294,375	$48,984,519	$49,930,120	$60,077,408	$58,885,208
Internal loans	500,000	3,851,000	1,150,000	695,000	725,000
Unrealized gain (loss) on investments	278,586	222,905	(50,589)	152,182	125,955
Inventories	-	367,454	352,483	299,864	286,027
Internal loans payable	-	-	(1,460,226)	(1,323,735)	-
Ending Fund Balance, GAAP basis	$94,080,787	$77,251,696	$79,290,866	$96,968,033	$106,079,931

Notes:

(1) Beginning in FY 2013-14, utility license fees generated from sewer and water are now included in the Public Utility License category instead of as a transfer from the Sewer Operating Fund and the Water Fund.

Source: City of Portland.

CITY BUDGET PROCESS

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

In addition to this public outreach process, 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 replaced 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, which was created by the City Council in December 2012, coordinates the budget development process.

Bureau budget requests are reviewed by the Mayor and Council members, as well as a panel of community advisors. The Mayor develops a Proposed Budget that addresses City Council priorities, public input, and balancing requirements. Following presentation of the Proposed Budget, a community hearing is scheduled wherein public testimony is taken. A budget summary and notice of hearing are published prior to the hearings. The City Council, sitting as the Budget Committee, considers the testimony from the community and can alter the budget proposal before voting to approve the budget.

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

INSURANCE

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

The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage (included in accrued self-insurance claims in the combined statement of net assets). Workers' compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Services and independent actuarial studies. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. Estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For fiscal year ending June 30, 2015, the expected rate of return used was 0.50 percent. For fiscal year ending June 30, 2016, the expected rate of return used was 0.50 percent and for subsequent years, the expected rate of return was 0.60 percent. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

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

Personal Injury and Death Claim

Under ORS 30.272, the liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed $666,700 for causes of action arising on or after July 1, 2014, and before July 1, 2015. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increases to $1,333,300 for causes of action arising on or after July 1, 2014, and before July 1, 2015. For causes of action arising on or after July 1, 2015, and before July 1, 2016, limitations increase to $682,800 for single claimant and $1,365,500 for multiple claimants.

Property Damage or Destruction Claim

Under ORS 30.273, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2014, and before July 1, 2015, are as follows: (a) $109,400 for any single claimant and (b) $546,800 to all claimants. For causes of action arising on or after July 1, 2015, and before July 1, 2016, limitations increase to $112,000 for single claimant and $560,000 for multiple claimants.

PENSION PLANS: OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Overview

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

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

Benefit Programs

Employees hired before January 1, 1996, are known as "Tier 1" participants. The retirement benefits applicable to Tier 1 participants are based on a defined benefit model. Effective January 1, 2016, Tier 1 has an assumed earnings rate guarantee of 7.50 percent and a normal retirement age of 58. PERS maintains a "Tier One Rate Guarantee Reserve" which is credited with investment earnings in excess of the assumed earnings rate guarantee and used to offset the effects of investment earnings below the assumed earnings rate guarantee. As of June 30, 2015, the balance of this reserve was $434 million. As of June 30, 2015, there were 32,542 active plan members, 119,865 inactive plan members currently receiving benefits, 15,847 inactive plan members entitled to but not yet receiving benefits, and 10 inactive members not eligible for refund or retirement, for a total of 168,264 Tier 1 members in the Statewide PERS System.

Employees hired on or after January 1, 1996, and before August 29, 2003, are known as "Tier 2" participants. The Tier 2 program also provides a defined benefit but with lower expected costs to employers than under the Tier 1 benefit. There is no assumed earnings rate guarantee and Tier 2 has a higher normal retirement age of 60. As of June 30, 2015, there were 41,275 active members 10,890 inactive plan members currently receiving benefits, 15,400 inactive plan members entitled to but not yet receiving benefits, and 753 inactive members not eligible for refund or retirement, for a total of 68,318 Tier 2 members in the Statewide PERS System.

Employees hired on or after August 29, 2003, are participants in a successor retirement program to the Tier 1 and Tier 2 retirement programs (the "T1/T2 Pension Programs") known as the Oregon Public Service Retirement Plan ("OPSRP"). OPSRP consists of a defined benefit plan and also offers the Individual Account Program ("IAP"), which offers a defined contribution benefit. As of June 30, 2015, there were 94,773 active members, 1,751 inactive plan members currently receiving benefits, 4,227 inactive plan members entitled to but not yet receiving benefits, and 8,549 inactive members not eligible for refund or retirement, for a total of 109,300 OPSRP Pension Program members.

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

Apportionment of City Assets and Liabilities

The City is pooled with the State of Oregon and other Oregon local government and community college public employers for its T1/T2 Pension Programs (the "State and Local Government Rate Pool" or "SLGRP"), and the SLGRP's assets and liabilities are pooled. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City's portion of the SLGRP's assets and liabilities is based on the City's proportionate share of SLGRP's pooled covered payroll. OPSRP's assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City's share of OPSRP's assets and liabilities is based on the City's proportionate share of OPSRP's pooled covered payroll. The City's proportionate liability of the T1/T2 Pension Programs and OPSRP may increase if other pool participants fail to pay their full employer contributions.

Employer Asset Valuation and Liabilities

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

An employer's unfunded actuarial liability ("UAL") is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits. At its July 31, 2015, meeting, the PERS Board modified certain methods and assumptions which were to be used for the 2014 valuations and will be used for the 2015 valuations (the "2015 Board Changes"). The following table shows methods and assumptions adopted by the PERS Board, which are the basis for the actuarial valuations.

Table 12
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Actuarial Assumptions and Methods

ASSUMPTION/METHOD	2012-2013 VALUATIONS (2013 Board Changes)	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%	2.75%
Contribution Rate Stabilization Method:	Contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 70% and 130%. At a funded status of 60% or less, or 140% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 60% and 70% or 130% and 140%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.	Contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 70% and 130%. At a funded status of 60% or less, or 140% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 60% and 70% or 130% and 140%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.

Notes:

(1) Although the UAL amortization method remains unchanged, the PERS Board directed Milliman to re-amortize the UAL for the T1/T2 Pension Programs from the 2007, 2009, and 2011 valuations to restart the 20-year amortization period for those UALs effective with the 2013 valuation report.

(2) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).

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

Source: Oregon Public Employees Retirement System.

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

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

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

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

STATEWIDE PERS SYSTEM				
Calendar Year	**Actuarial Value of Assets**	**Actuarial Liability**	**Unfunded Actuarial Liability**	**Funded Ratio (%)**
2005	$51,403.9	$49,294.0	$(2,109.9)	104.3
2006	56,616.5	51,252.9	(5,363.6)	110.5
2007	59,327.8	52,871.2	(6,456.6)	112.2
2008	43,520.6	54,259.5	10,738.9	80.2
2009	48,729.2	56,810.6	8,081.4	85.8
2010	51,583.6	59,329.5	7,745.9	86.9
2011	50,168.2	61,198.4	11,030.2	82.0
2012 (2)	54,784.1	60,405.2	5,621.1	90.7
2013 (2)	60,014.1	62,593.6	2,579.5	95.9
2014 (3)	61,395.1	73,458.9	12,063.8	83.6

Notes:

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

(2) Reflects savings that were anticipated from the 2013 PERS Bills, but will not be realized because most of the 2013 PERS Bills were invalidated. See "—Recent Developments Related to PERS" below. Also reflects the 2013 Board Changes. See Table 12 above.

(3) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See "—Recent Developments Related to PERS" below. Also reflects 2015 Board Changes. See Table 12 above.

Source: Oregon Public Employees Retirement System.

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

Calendar Year	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability	Funded Ratio (%)
2005	$1,459.9	$1,367.1	$(92.8)	106.8
2006	1,619.3	1,432.0	(187.3)	113.1
2007	1,635.0	1,410.8	(224.2)	115.9
2008	1,280.6	1,539.9	259.2	83.2
2009	1,424.0	1,606.0	182.0	88.7
2010	1,499.8	1,672.5	172.7	89.7
2011	1,459.0	1,724.2	265.3	84.6
2012 (2)	1,624.8	1,744.3	119.5	93.2
2013 (2)	1,762.8	1,804.7	41.9	97.7
2014 (3)	1,844.1	2,210.1	366.0	83.4

Notes:

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

(2) Reflects savings that were anticipated from the 2013 PERS Bills, but will not be realized because most of the 2013 PERS Bills were invalidated. See "—Recent Developments Related to PERS" below. Also reflects 2013 Board Changes. See Table 12 above.

(3) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See "—Recent Developments Related to PERS" below. Also reflects 2015 Board Changes. See Table 12 above.

Source: Oregon Public Employees Retirement System.

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

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

Calendar Year	Payroll	Unfunded Actuarial Liability	Unfunded Liability to Payroll Ratio
2005	$226,295,315	$(92,818,145)	-41%
2006	242,259,162	(187,332,041)	-77%
2007	259,889,403	(224,199,619)	-86%
2008	289,371,762	259,241,423	90%
2009	303,851,551	182,019,126	60%
2010	307,538,429	172,726,579	56%
2011	303,508,135	265,267,189	87%
2012	311,688,601	119,477,128	38%
2013	313,291,592	41,882,231	13%
2014	335,113,826	365,964,877	109%

Source: Oregon Public Employees Retirement System.

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

State Investment Policy

The Oregon State Treasury is the investment officer for the state of Oregon. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council ("OIC") establishes policies for the investment and reinvestment of moneys in PERS investment funds. Policies are established based on the primary investment asset class of each investment manager. The OIC has approved the following asset classes for the OPERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, OPERF invests in the Opportunity Portfolio, which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. The target investment portfolio mix at fair market value as of June 30, 2015, is 37.5 percent public equity, 20 percent private equity, 20 percent debt securities, 12.5 percent real estate, and 10 percent alternative equity.

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

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

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

Notes:

(1) Total fund performance, excluding variable account.

Source: "Oregon PERS Monthly Returns" as of June 30 of the respective fiscal year shown in the table, website of the Oregon State Treasurer, Investment Division, Oregon Public Employees Retirement Fund (OPERF) as of December 30, 2015.

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

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

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

Notes:

(1) Total fund performance, excluding variable account.

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

Investment returns for calendar year 2015 were substantially below the 7.50 percent assumed earnings rate. Milliman has estimated the impact of the 2015 earnings to be a Statewide PERS System UAL increase of approximately $3.4 to $4.4 billion, a portion of which will be the responsibility of the City. The next UAL and funded status estimates will be provided at the PERS Board meeting on July 29, 2016.

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

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

The table below shows the City's current employer contribution rates for the 2015-17 biennium that ends on June 30, 2017. The table also shows the City's advisory rates for the 2017-19 biennium that begins on July 1, 2017, as reported in the 2014 City Report. The rates reported in the table do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City. Actual employer contribution rates for the 2017-19 biennium will be based on actuarial valuations as of December 30, 2015, which is expected to be released in late 2016. Milliman estimates that a PERS System-average, uncollared employer contribution rate increase of 8.7 percent of covered payroll due to the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills and the 2015 Board Changes beginning in the 2017-19 biennium would be necessary to begin to recover the increase in the actuarial liability; however, due to the Rate Collar, employer contribution rates will be less than this estimate with increases expected to carry forward into future biennia, assuming future experience is near the current assumptions. See "—Recent Developments Related to PERS" below for a discussion of the 2013 PERS Bills and the Oregon Supreme Court decision and Table 12 for a description of the Rate Collar.

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

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

Notes:

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

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

The City's contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of pension-related reserves, further changes to system valuation methodology and assumptions and decisions by the PERS Board, and changes in benefits resulting from legislative modifications.

City Funding Policy

In August 2014, the City Council approved a policy regarding funding of its PERS pension liability. The policy requires the City to make contributions at no less than the rate established by the PERS Board and required by ORS 238.225. The City has always funded its full employer contribution as required by ORS 238.225. See "—Employer Contribution Rates and Amounts" above.

Pension Obligation Bonds

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

Total City Pension Contribution

The following table shows the amount of City contributions paid to PERS for the three pension programs including amounts paid by the City for the employee contribution. Contributions include the payments from the Fire and Police Disability and Retirement Fund for pensions of police and firefighters participating in the T1/T2 Pension Programs and OPSRP. Fire and Police Disability and Retirement Fund contributions are funded from a dedicated Citywide property tax levy. See "—Fire and Police Disability and Retirement Fund" below. In FY 2014-15, 57.9 percent of the total cash contribution was for the employer share and 42.1 percent was for the employee share. The City made its required contribution for its pension obligation in all years. See "—Employer Contribution Rates and Amounts" above.

Table 19
CITY OF PORTLAND, OREGON
City Contribution to PERS

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

Notes:

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

Source: City of Portland.

Recent Developments Related to PERS

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

In addition to legislative actions, in 2013 the PERS Board made other adjustments that were estimated by PERS to increase the unfunded actuarial liability of the Statewide PERS System by approximately $2.5 billion. See Table 12 for a summary of the changes made by the PERS Board.

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

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

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, 2015, the City reported a net pension asset of $82.3 million and a negative pension expense of $104.4 million. See the City's CAFR for the fiscal year ended June 30, 2015, posted on the EMMA website. Such information, however, does not reflect the 2015 Oregon Supreme Court decision discussed above due to GASB's timing rules. PERS recently released Milliman's estimates as of June 30, 2015, which will be reported by the City for the fiscal year ending June 30, 2016, and reflects the impact of the Oregon Supreme Court decision. Based on Milliman's estimate, the City estimates reporting a net pension liability of approximately $217.1 million for the fiscal year ending June 30, 2016. This amount does not reflect the 2015 Board Changes.

PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT FUND

Overview

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

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

Benefit Programs

The FPDR Plan consists of three tiers, two of which are now closed to new employees. The retirement plans for FPDR One, the original plan, and FPDR Two, in which most active fire and police personnel participate, are single-employer, defined-benefit plans administered by the FPDR Board. In addition to retirement benefits for FPDR One and FPDR Two members, the FPDR Plan provides for service-connected, nonservice-connected, and occupational disability benefits for FPDR One, FPDR Two and FPDR Three members. FPDR Plan members do not participate in Social Security and do not receive Social Security benefits for their years of service.

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

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

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

Funding

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mills on each dollar of valuation of property ($2.80 per $1,000 of real market value) that is not exempt from such levy. The FPDR property tax levy has been sufficient in all years to meet required annual benefit payments. In the event that collections from this special property tax levy for the FPDR Plan is less than the amount required for payment of benefits in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and then from other City funds to make up the difference. While the FPDR Fund has not experienced any funding shortfalls to date, future funding is dependent on the availability of property tax revenues and, in the absence of sufficient property tax revenues, City funds.

Although the City Charter provides the FPDR Plan with dedicated property tax levy authority, the Oregon state constitution caps each property's general government taxes at $10 per $1,000 of real market value. After reaching this point, all levies, including the FPDR levy, are subject to Tax Rate Compression to fit within the $10 limit. For this reason it is unlikely that FPDR could collect the full $2.80 per $1,000 of real market value on each property. In FY 2015-16, the tax loss due to Tax Rate Compression was $7.4 million, or 5.5 percent of the FPDR tax levy. See "PROPERTY TAX INFORMATION—TAX RATE COMPRESSION" herein.

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 20
CITY OF PORTLAND, OREGON
FPDR Plan -- Actuarial Assumptions and Methods
For the June 30, 2015, Roll-Forward of the June 30, 2014, Valuation

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

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

Assets generally are not accumulated in the current year to pay for benefit payments in future years. The table below shows funding levels for the FPDR Plan over the past ten fiscal years. In accordance with the Charter's provisions, there are no requirements to fund the FPDR Plan using actuarial techniques. The FPDR Plan is funded on a pay-as-you-go basis. Each year's benefits and expenses are paid for with employer contributions derived from dedicated property tax revenue received during that year. Because of the FPDR Plan's pay-as-you-go funding basis, the unfunded actuarial accrued pension liability and net pension liability (the new terminology per 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, 2015, 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, 2015, and contributes to the City's total net position decrease from FY 2013-14 to FY 2014-15. See table entitled "Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)" on page 318 of the City's CAFR for its fiscal year ended June 30, 2015, which is available on EMMA.

Table 21
CITY OF PORTLAND, OREGON
FPDR Plan --Summary of Funding Levels (1)

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

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

Notes:

(1) Table reflects transition to new accounting terms in 2013 as required by Governmental Accounting Standards Board Statement No. 67.
(2) Does not include value of future dedicated FPDR property tax collections.
(3) Amounts are calculated by rolling forward prior actual valuations. See Table 22 below for a summary of the June 30, 2012, and June 30, 2014, valuations.

Source: City of Portland audited financial statements.

Overall the unfunded actuarial liability decreased from $2.88 billion on June 30, 2012, to $2.47 billion on June 30, 2014, as shown in Table 22 below. Note that these valuations differ from results shown in Table 21 above because they are based on actual results prepared by Milliman and are not roll-forward amounts of prior valuations.

Table 22
CITY OF PORTLAND, OREGON
FPDR Plan--Summary of Most Recent Actuarial Valuations

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

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

To comply with GASB 67, the 2014 valuation used a bond market index rate that was 4.29 percent as of June 30, 2014. The increase in the discount rate from 3.50 percent to 4.29 percent accounted for $274 million of the decreased liability. The FPDR Plan provides that FPDR Two adjustments to the COLA cannot exceed the rate used by PERS for sworn retirees. For the 2014 valuation, these adjustments were based on the PERS COLA as modified by the 2013 PERS Bills, which reduced the liability by $293 million. The reductions in the liability from the higher discount rate and the 2013 PERS Bills were offset by various increases totaling $157 million, for an overall reduction of $411 million in the actuarial accrued liability between June 30, 2012, and June 30, 2014. However, see "—Recent Developments Related to PERS" and "—Recent Developments Related to the FPDR Fund." For the June 30, 2015, roll-forward of the June 30, 2014 valuation, the discount rate decreased to 3.80 percent, and most of the FPDR Two benefit adjustment savings from the 2013 PERS Bills were invalidated by the Oregon Supreme Court's decision. These two changes resulted in an increase in the total pension liability by $423 million.

Levy Adequacy

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

Table 23
CITY OF PORTLAND, OREGON
FPDR Fund--Certified Levies Compared with Maximum Levies Authorized

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

Notes:

(1) Before Tax Rate Compression, delinquencies and discounts.

Source: City of Portland.

The table below shows historical taxes imposed (after Tax Rate 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 24
CITY OF PORTLAND, OREGON
FPDR Fund--Imposed Levies and Expenditures for
Pension Benefits and Death/Disability Benefits

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

Notes:

(1) Amount after Tax Rate Compression but not adjusted for delinquencies and discounts.

Source: City of Portland.

The FPDR Board assesses the FPDR Plan's long-term financial condition in part by projecting the future availability of revenues from the dedicated property tax (the "Levy Adequacy Analysis"), which are the source of employer contributions under the Charter. The most recent Levy Adequacy Analysis, completed by an independent actuary in connection with the actuarial valuation of the fund, was as of June 30, 2014. The Levy Adequacy Analysis found that, under a wide range of simulated economic scenarios in the foreseeable future, the future FPDR Fund levy would remain under $2.80 per $1,000 of real market value, but the levy exceeds the $2.80 threshold in at least one year in approximately four percent of modeled scenarios. The first year in which the percent of scenarios exceeding the levy limit reaches the one percent level is FY 2029-30. Pay-as-you-go costs peak in FY 2035-36 in nominal terms; the peak on an inflation-adjusted basis is in FY 2028-29. With the Oregon Supreme Court decision invalidating portions of the 2013 PERS Bills, pay-as-you-go costs for FPDR Two members, and most likely PERS contributions for FPDR Three members, will be higher in the 2016 Levy Adequacy Analysis to be presented in January 2017, with the potential for a higher percentage of scenarios exceeding the levy limit; however, Real Market Value growth over 10 percent in each of the two most recent years may partially offset increased cost pressure on levy rates.

The table below shows projected levy rates and taxes levied at the 50th and 5th percentiles for FY 2014-15 through FY 2033-34 as included in the 2014 Levy Adequacy Analysis. Note that actual levy rates in FY 2014-15 and FY 2015-16 were $1.48 per $1,000 of Real Market Value and $1.30 per $1,000 of Real Market Value, respectively.

Table 25
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
2015	$1.46	$135,000,000	$1.46	$135,000,000
2016	1.40	138,600,000	1.40	138,600,000
2017	1.39	143,400,000	1.54	144,600,000
2018	1.38	149,200,000	1.63	152,500,000
2019	1.38	155,100,000	1.67	159,000,000
2020	1.38	161,700,000	1.76	171,500,000
2021	1.37	168,500,000	1.80	179,700,000
2022	1.37	176,300,000	1.89	193,700,000
2023	1.37	183,500,000	1.92	203,200,000
2024	1.36	191,400,000	1.99	217,100,000
2025	1.37	200,600,000	2.03	229,200,000
2026	1.37	210,500,000	2.11	245,400,000
2027	1.38	220,700,000	2.16	259,600,000
2028	1.38	230,400,000	2.23	276,700,000
2029	1.38	240,500,000	2.28	291,700,000
2030	1.43	264,000,000	2.46	323,400,000
2031	1.43	275,000,000	2.50	339,400,000
2032	1.41	284,300,000	2.53	357,700,000
2033	1.40	294,600,000	2.55	374,100,000
2034	1.37	302,200,000	2.60	391,700,000

Notes:

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

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

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

OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")

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

PERS Program

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to $60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA's assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2013 City Report, the City's allocated share of the RHIA program's UAL was $4,336,291 as of December 31, 2013, and according to the 2014 City Report, the City's allocated share of the RHIA program's UAL was $2,663,682 as of December 31, 2014.

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

Health Insurance Continuation Option

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

The OPEB liability associated with the Health Insurance Continuation Option is an actuarially-determined amount calculated in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The valuation is prepared using the Entry Age Normal actuarial cost method and amortized over an open period of 30 years using the level percentage of projected pay. Other assumptions include a 3.5 percent investment rate of return, and annual healthcare cost trend rates of two to 8.5 percent for health insurance, negative ten to five percent for dental insurance, and three percent for vision. The City's unfunded actuarial accrued liability for OPEB is solely attributable to the Health Insurance Continuation Option and at the valuation date of July 1, 2013 (the date of the most recent actuarial valuation), is estimated to be $105,266,428. The unfunded actuarial accrued liability as a percentage of covered payroll is 30 percent. Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. A new valuation study will be undertaken for reporting the OPEB liability as of July 1, 2015.

The City's annual OPEB cost is calculated based on the actuarially-determined ARC, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liability over a period of 30 years. For FY 2014-15, the amount to be recognized as the annual employer OPEB cost was $8,542,920. For fiscal year ended June 30, 2015, the City benefits paid on behalf of retirees exceeded the premiums they paid by $2,959,979. The City elected to not pre-fund the FY 2014-15 annual OPEB cost. The amount unfunded in FY 2014-15 is $42,044,666, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2014-15 along with interest on the net OPEB obligation and adjustments, less payments made in relation to the FY 2014-15 net OPEB obligation. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and OPEB obligation, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

OVERVIEW OF CITY INDEBTEDNESS

Debt Management Policy

In April 1984, the City Council adopted Resolution No. 33661, which places centralized responsibility for Debt Management in the Office of Management and Finance and establishes standards and procedures for the issuance of debt. The City's debt policy, which is included as FIN 2.12 in the Comprehensive Financial Management Policies of the City, includes more restrictive limits on City debt issuance than required by State law. This policy has subsequently been updated and expanded. The most recent updates to the debt policy were included in Resolution 37086, which was adopted as binding City policy by the City Council on August 6, 2014. Among the general provisions in the debt policy are types of debt that may be issued and limitations on their use, selection of finance professionals, methods of sale, structure and term of City indebtedness, issuance of conduit debt, and refunding outstanding debt.

Debt History

The City has met all principal and interest payments on its indebtedness in a timely manner and in the required amounts. In addition, the City has never been required to refinance any general obligation indebtedness to meet regular operating expenses.

Debt Limitation

Oregon statutes limit the amount of general obligation debt which an Oregon city may have outstanding at any time to three percent of the real market value of the taxable property within the City, although revenue bonds, general obligation improvement bonds, sewer and water bonds are among the types of bonds legally exempt from the debt limitation. The City is in compliance with all statutory debt limitations.

Outstanding Debt

The City issues a variety of debt types for the purpose of carrying out its capital financing activities. These various debt types are shown in the table below entitled "Debt Statement." Outstanding debt amounts are as of June 1, 2016.

Unlimited Tax General Obligation Bonds

The City has $105.7 million of outstanding tax-supported general obligation bonds. Outstanding bonds were originally issued for the purpose of funding emergency facilities, public safety, and parks improvements. The City is authorized to levy unlimited *ad valorem* property taxes outside the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution to pay these bonds.

Bonds Paid and/or Secured by the General Fund

The following obligations are secured by the full faith and credit of the City. The City is obligated to pay these obligations from any taxes or other revenues available to the City that may legally be applied to pay them. The City is not authorized to levy *ad valorem* property taxes outside the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution to pay these obligations.

<u>Non Self-Supporting General Fund Obligations</u>

Non self-supporting General Fund obligations are either paid from Available General Funds or are otherwise considered to be non self-supporting based upon factors including, but not limited to, length of history of the payment revenue source, debt service coverage, revenue volatility and classification of such debt by bond rating agencies. Outstanding obligations that have been determined to be non self-supporting are as follows.

Limited Tax Revenue Bonds. The City had $31.4 million of outstanding limited tax revenue bonds that are paid primarily from General Fund resources. The City has issued limited tax revenue bonds to satisfy a variety of capital financing requirements.

Limited Tax Pension Obligation Revenue Bonds. The City issued $300.8 million of Limited Tax Pension Obligation Revenue Bonds in November 1999 to finance the City's December 31, 1997, unfunded actuarial accrued pension liability with the State of Oregon Public Employees Retirement System. Approximately forty percent of the debt service on these bonds is expected to be paid from resources of the General Fund. The remaining sixty percent is expected to be paid by non-General Fund bureaus of the City. (See "Self-Supporting General Fund Obligations" below.) Approximately $75.0 million of outstanding principal remains on the portion of the bonds projected to be repaid with General Fund resources.

Limited Tax Housing Revenue Bonds. The City has outstanding a total of $15.1 million of Limited Tax Housing Revenue Bonds. This amount includes $9.5 million issued for the Headwaters Apartment Project and $5.6 million issued for the Housing Opportunity Program.

Non Self-Supporting Lines of Credit. In May 2016, the City established a $36 million line of credit secured by the General Fund to pay for certain capital improvement projects in the River District urban renewal area. The line ultimately is expected to be repaid with proceeds from the sale of property being acquired by the Portland Development Commission. The line currently has a balance of $1.1 million. The City has established a line of credit for the Portland Harbor Restoration Project that is secured by the City's full faith and credit and paid from General Fund resources. The outstanding balance on the line of credit is $1.4 million.

Contingent Loan Agreements. The City has made a limited, subject-to-appropriation, pledge of its General Fund to restore reserve fund balances on six conduit housing revenue bond issues. As of June 1, 2016, the City had not received any requests to appropriate funds to restore the reserve fund balances of these issues. The original par amount of these issues is $33.005 million, of which $25.745 million remains outstanding.

<u>Self-Supporting General Fund Obligations</u>

Self-supporting General Fund obligations are secured by Available General Funds, but paid from non-General Fund revenues that are considered to be stable and reliable. Outstanding self-supporting General Fund obligations are as follows.

Limited Tax Pension Obligation Revenue Bonds. Of the total outstanding Limited Tax Pension Obligation Revenue Bonds described above, approximately $127.0 million is expected to be fully self-supporting and paid from non-General Fund bureaus of the City.

Limited Tax Revenue Bonds (Visitor Development Initiative). The City has issued bonds pursuant to an intergovernmental agreement known as the Visitor Development Initiative for various projects. While ultimately secured by the General Fund, these bonds are expected to be repaid in whole or in part with revenues generated from surcharges on the transient lodging tax and the motor vehicle rental tax. The City has $74.0 million of outstanding limited tax revenue bonds for the Oregon Convention Center Completion Project, $17.0 million of outstanding bonds for the Stadium Project, and $0.775 million of outstanding bonds for the Portland Center for Performing Arts ("PCPA") Project.

Limited Tax Revenue Bonds (Central City Streetcar Project). The City has $12.65 million of outstanding limited tax revenue bonds for the Central City Streetcar Project. These bonds are ultimately secured by the City's General Fund, but the City expects to pay the debt service on these bonds with revenues from the City's parking facilities and meters.

Limited Tax Revenue Bonds (JELD-WEN Field Project). In April 2012, the City issued limited tax revenue bonds to refinance improvements for major league soccer at JELD-WEN Field (now known as Providence Park). While secured by the City's General Fund, the City expects to pay the debt service with revenues from its Spectator Facilities Fund. The City has $12.0 million of these bonds outstanding.

Limited Tax Revenue Bonds (Portland-Milwaukie Light Rail Project). In September 2012, the City issued limited tax revenue bonds to finance a portion of the Portland-Milwaukie Light Rail Project. While secured by the City's General Fund, the City expects to pay the debt service with transportation revenues, including parking revenues, gas tax revenues and system development charges. The City has $32.795 million of these bonds outstanding.

Limited Tax Revenue Bonds (Sellwood Bridge Project). In June 2014, the City issued limited tax revenue bonds to finance a portion of the costs of the Sellwood Bridge Project. While secured by the City's General Fund, the City expects to pay the debt service with transportation revenues, including parking revenues, gas tax revenues and system development charges. The City has $41.375 million of these bonds outstanding.

Limited Tax Improvement Bonds. The City has $36.805 million of outstanding limited tax improvement bonds. These bonds are issued for the purpose of financing local improvement projects. These bonds are expected to be fully self-supporting from assessment payments received from property owners benefiting from the improvement projects. In addition, the City has pledged its full faith and credit to pay the bonds, and the bonds are payable from all legally available revenues, taxes and other funds of the City.

Table 26
CITY OF PORTLAND, OREGON
Debt Statement as of June 1, 2016 (1)

TYPE OF OBLIGATION	AMOUNT OUTSTANDING
UNLIMITED TAX GENERAL OBLIGATION BONDS	
General Obligation Parks Bonds	$25,850,000
General Obligation Public Safety Bonds	$57,345,000
General Obligation Emergency Facilities Bonds	22,540,000
Total Unlimited Tax General Obligation Bonds	$105,735,000
BONDS PAID AND/OR SECURED BY THE GENERAL FUND	
A. Non-Self-Supporting	
Limited Tax Revenue Bonds	$31,390,000
Limited Tax Pension Obligation Revenue Bonds (General Fund share)	75,002,417
Limited Tax Housing Revenue Bonds	15,065,000
2015 Portland Harbor Restoration Line of Credit	1,408,145
2016 River District (General Fund) Line of Credit	$1,133,130
Total Bonds Secured and Paid from the General Fund (1)	$123,998,692
B. Self-Supporting	
Limited Tax Pension Obligation Revenue Bonds (Non-General Fund share)	$127,025,928
Limited Tax Revenue Bonds (Streetcar)	12,650,000
Limited Tax Revenue Bonds (Convention Center)	73,955,102
Limited Tax Revenue Bonds (PCPA)	775,000
Limited Tax Revenue Bonds (Stadium Project)	16,978,000
Limited Tax Revenue Bonds (S. Waterfront)	1,656,438
Limited Tax Revenue Bonds (Arena)	1,667,900
Limited Tax Revenue Bonds (Jeld-WEN Field Project)	12,000,000
Limited Tax Revenue Bonds (Portland Milwaukie Light Rail)	32,795,000
Limited Tax Revenue Bonds (Sellwood Bridge)	41,375,000
Limited Tax Improvement Bonds	36,805,000
State Loan (Levee IFA)	312,829
FPD&R TAN's	24,370,000
Lines of Credit:	
Urban Renewal (General Fund-secured)	37,033,704
2015 Local Improvement Districts	2,329,971
2015 PBOT LED Project	9,132,973
2015 Sellwood Bridge II Line	20,000,000
Total Self-Supporting Bonds Secured by the General Fund	$450,862,846

Table 26 (continued)
CITY OF PORTLAND, OREGON
Debt Statement as of June 1, 2016 (1)

TYPE OF OBLIGATION	AMOUNT OUTSTANDING
REVENUE BONDS	
First Lien Sewer Revenue Bonds	$617,470,000
Second Lien Sewer Revenue Bonds	984,330,000
Sewer SRF Loans	14,920,587
First Lien Water Revenue Bonds	381,645,000
Second Lien Water Revenue Bonds	220,670,000
Hydroelectric Revenue Bonds	1,740,000
Urban Renewal Bonds	457,887,200
Urban Renewal Lines of Credit (Non-General Fund secured)	10,857,717
PBOT Parking Meter Lease	254,253
Gas Tax Revenue Bonds	11,065,000
Total Revenue Bonds	$2,700,839,757
TOTAL - ALL OUTSTANDING DEBT	$3,381,436,294

Notes:

(1) Excludes contingent loan agreements, which are described in "—BONDS PAID OR SECURED BY THE GENERAL FUND, Non-Self Supporting General Fund Obligations—Contingent Loan Agreements," below.

Source: City of Portland.

Arena Limited Tax Revenue Bond. The City currently has $1.7 million of Arena Limited Tax Revenue Bonds outstanding. These bonds are ultimately secured by the City's General Fund. However, the City expects to pay the debt service on these bonds from revenues received from the Oregon Arena Project.

Urban Renewal and Other Self-Supporting Lines of Credit. The City has established lines of credit for various programs that are secured in part by the City's full faith and credit. Lines of credit have been established for five urban renewal areas. The City borrows on these lines of credit to provide interim financing for capital projects, then repays the debt with the proceeds of urban renewal and redevelopment bonds secured solely by the tax increment revenues of the districts for which the bonds are issued. The total balance on the urban renewal lines of credit as of June 1, 2016, was $37.0 million. Lines of credit secured by the City's full faith and credit have also been established to fund projects in local improvement districts and to fund transportation projects. The balances on these lines of credit currently total $31.5 million.

Other Obligations. The City has about $2.0 million in other obligations outstanding. These include a loan being repaid by Oregon Health and Science University and a State loan for the Columbia River Levee Project.

Revenue Bonds

The City issues revenue bonds to satisfy a variety of capital financing requirements backed solely by the fees derived from the provision of certain services. Included among the purposes for which these types of revenue bonds have been issued are sewer system facilities, water system facilities, parking system facilities, golf facilities, environmental remediation activities, road improvements and hydroelectric generation facilities. In these cases, fees and charges are collected for the individual services provided, generally on the basis of usage. The types and amounts of outstanding revenue bonds are shown in the above table titled "Debt Statement."

Urban Renewal Bonds

A total of $457.9 million of Urban Renewal and Redevelopment Bonds are outstanding as of June 1, 2016, for nine urban renewal areas. Additionally, the City has executed a $60 million line of credit for projects in the River District urban renewal area, which currently has an outstanding balance of $10.9 million. All of these obligations are paid from tax increment revenues generated from the respective urban renewal areas. No additional City revenues are pledged to the repayment of these obligations.

Cash Flow Borrowings

The City may borrow for General Fund operating purposes through the issuance of short-term tax anticipation notes ("TANs"). State law limits the amount of TANs that a political subdivision may sell annually to no more than 80 percent of the amount of the annual tax levy, and all TANs must be retired within thirteen months after they were issued. In order to fund cash flow deficits in the FPDR Fund caused by the timing mismatch between when benefit payments are required to be made and when property tax collections are received, the City will issue TANs. On August 6, 2015, the City issued $24,370,000 of TANs to fund cash flow deficits in the FPDR Fund. These notes are scheduled to be repaid on June 28, 2016.

Conduit Financings

The City issues revenue bonds for certain private activities under specific statutory authority. This debt is payable solely from private sources and is not an obligation of the City. These bonds are not reported in this document.

Concurrent Debt Issues

The City is currently underway or planning for the issuance of additional debt over the next six months. The following table identifies issues that are presently under consideration, and includes the estimated issuance amounts, planned issue dates, and the expected type of issue. The City may also obtain lines of credit for various facilities and equipment in amounts to be determined. These plans are subject to change.

Table 27
CITY OF PORTLAND, OREGON
Future Debt Issues

Purpose	Estimated Amount	Planned Issue Date	Type of Issue
Refunding of first lien sewer revenue bonds	$149 million	September 1, 2016	First Lien Sewer System Revenue Bonds
Refunding of second lien sewer revenue bonds bonds	$167 million	September 1, 2016	Second Lien Sewer System Revenue Bonds
LED lighting projects	$20 million	October 2016	Limited Tax Revenue Bonds
Water System capital improvements/refunding of first lien water revenue bonds	$155 million	November 2016	First Lien Water System Revenue Bonds

Source: City of Portland.

City General Obligation Debt

Tables 28-30 below set forth the City's general obligation capital debt ratios, the overlapping debt among various taxing districts in the City, and outstanding direct general obligation debt of the City incurred for capital purposes.

Table 28
CITY OF PORTLAND, OREGON
Debt Ratios
as of June 1, 2016

	Amount	Per Capita	Percent of Market Value	Percent of Assessed Value
July 1, 2015 Population	613,355			
2015-16 Market Value (Measure 5) (1)	$102,628,140,456	$167,323		
2015-16 Assessed Value (2)	$59,352,691,160	$96,767	57.83%	
Gross Bonded Debt (3)	$680,596,537	$1,110	0.66%	1.15%
Net Direct Debt (4)	$229,733,692	$375	0.22%	0.39%
Net Overlapping Debt (as of 6/30/2015) (5)	$1,254,163,971	$2,045	1.22%	2.11%
Net Direct and Overlapping Debt	$1,483,897,663	$2,419	1.45%	2.50%
FY 2016-17 General Fund Debt Service as a Percent of FY 2016-17 General Fund Budget (6)	4.4%			

Notes:

(1) Market Value reported in this table encompasses City of Portland values within Multnomah, Washington, and Clackamas Counties, including estimated urban renewal incremental real market values. Market Value reported in this table and in the table titled "Historical Trends in Assessed and Market Values" are "Measure 5 Values," which represent the real market value of properties that are not specially assessed; and the value of specially assessed properties, including farm and forestland and exempt property which are less than full real market value. In 2014-15 the Measure 5 Market Value represented about 82.6 percent of full real market value. For information regarding historical Market Value, see table titled "Historical Trends in Assessed and Market Values" herein.
(2) Includes urban renewal incremental assessed value. For information regarding historical assessed values, see table titled "Historical Trends in Assessed and Market Values" herein.
(3) Includes City's outstanding general obligation bonds, limited tax improvement bonds, and limited tax revenue bonds. Also includes general fund-supported lines of credit and tax anticipation notes.
(4) Net direct debt includes non self-supporting limited tax revenue bonds secured by the City's General Fund as well as general obligation bonds paid from a separate, unlimited *ad valorem* tax.
(5) See table entitled "Overlapping Debt" below for information on overlapping debt.
(6) Debt service amount includes all non self-supporting bonds paid and/or secured by the General Fund plus the General Fund share of pension obligation bonds.

Sources: Portland State University Population Research Center; Multnomah County Department of Assessment, Recording and Taxation; Municipal Debt Advisory Commission, Oregon State Treasury; City of Portland.

Table 29
CITY OF PORTLAND, OREGON
Overlapping Debt
As of June 30, 2015

TAXING DISTRICT	Real Market Value	Percent Overlapping	Overlapping Debt: Gross Property Tax Backed (1)	Overlapping Debt: Net Property Tax Backed (2)
Multnomah County School District 1J (Portland)	$82,091,038,340	97.63%	$739,201,501	$739,201,501
Multnomah County	109,183,784,794	85.21%	247,031,277	146,407,271
Multnomah County School District 40 (David Douglas)	4,627,975,799	100.00%	97,151,607	97,151,607
Metro	215,408,649,968	43.34%	96,921,311	83,736,979
Portland Community College	171,948,533,146	46.75%	212,914,649	74,848,095
Multnomah County School District 3 (Parkrose)	5,124,682,959	98.28%	57,950,743	57,950,743
Multnomah County School District 7 (Reynolds)	7,173,845,193	22.14%	22,548,987	22,548,987
Multnomah County School District 28J (Centennial)	2,975,394,056	54.54%	14,637,681	14,637,681
Mt Hood Community College	31,791,558,764	40.56%	26,558,487	9,914,354
Washington County School District 48J (Beaverton)	34,661,538,435	0.28%	2,364,093	2,364,093
Columbia County School District 1J (Scappoose)	1,723,491,504	6.12%	1,848,836	1,848,836
Clackamas County School District 12 (North Clackamas)	15,224,353,220	0.50%	1,641,221	1,641,221
Multnomah County School District 51J (Riverdale)	779,524,549	5.31%	1,265,961	1,265,961
Clackamas County	53,076,860,113	0.25%	245,842	242,406
Clackamas Community College	38,741,861,484	0.20%	185,497	130,249
Washington County School District 23J (Tigard-Tualatin)	13,624,419,017	0.10%	93,141	93,141
Multnomah County Drainage District 1	223,154,430	100.00%	1,960,000	80,000
Washington County	72,186,893,115	0.27%	241,415	54,618
Clackamas County School District 7J (Lake Oswego)	9,232,054,344	0.02%	25,155	25,155
Tualatin Hills Park & Recreation District	29,146,545,905	0.02%	21,073	21,073
Clackamas County ESD	50,340,306,466	0.16%	36,559	-
Multnomah ESD	110,954,595,647	83.88%	26,299,821	-
Northwest Regional ESD	90,799,078,366	0.24%	11,253	-
Port Of Portland	234,450,071,682	39.82%	26,004,265	-
Rockwood Water PUD	4,570,424,949	28.83%	1,634,548	-
			$1,578,794,923	$1,254,163,971

Notes:

(1) Gross Property-tax Backed Debt includes all unlimited-tax General Obligation bonds and Bonds Paid and/or secured by the General Fund.

(2) Net Property-tax Backed Debt is Gross Property-tax Backed Debt less Self-supporting Unlimited-tax General Obligation debt and less Self-supporting General Fund Obligations.

Source: Municipal Debt Advisory Commission, Oregon State Treasury.

Table 30
CITY OF PORTLAND, OREGON
Projected Debt Service on Outstanding General Fund Obligations (1)

	PAID FROM GENERAL FUND			SELF-SUPPORTING BONDS SECURED BY GENERAL FUND				
Fiscal Year Ending June 30	Limited Tax Revenue Bonds (2)	Limited Tax Pension Obligation Revenue Bonds (3)	Total Non-Self Supporting Bonds/ Gen. Fund	Limited Tax Improve. Bonds (4)	Arena Limited Tax Revenue Bonds (5)	Limited Tax Pension Obligation Revenue Bonds (6)	Other Limited Tax Revenue Bonds (7)	Total Self Supporting Bonds/ Gen. Fund
2017	$11,920,667	$11,627,391	$23,548,059	$4,480,338	$1,681,410	$19,692,434	$19,872,068	$43,361,400
2018	7,404,601	12,095,163	19,499,764	2,220,088	-	20,484,663	18,233,195	40,814,845
2019	4,993,256	12,573,783	17,567,040	2,187,288	-	21,295,267	19,161,651	42,521,105
2020	4,994,376	13,081,663	18,076,040	5,435,088	-	22,155,425	19,505,908	44,343,321
2021	4,524,228	13,604,648	18,128,876	1,629,238	-	23,041,165	19,841,872	44,468,075
2022	4,525,429	14,150,222	18,675,651	2,359,238	-	23,965,162	19,807,415	45,857,614
2023	2,904,658	14,716,231	17,620,889	1,600,038	-	24,923,769	19,547,343	46,036,149
2024	2,906,461	15,304,658	18,211,119	2,620,038	-	25,920,342	20,123,963	47,854,342
2025	2,908,095	15,917,215	18,825,310	1,559,238	-	26,957,785	18,250,100	46,763,122
2026	2,143,764	16,553,904	18,697,668	1,559,238	-	28,036,096	18,257,125	47,848,459
2027	1,671,770	17,214,723	18,886,493	21,239,238	-	29,155,277	18,248,900	68,559,414
2028	1,670,605	17,905,243	19,575,848	575,238	-	30,324,757	14,991,875	45,891,870
2029	775,795	18,619,893	19,395,688	575,238	-	31,535,107	15,088,400	47,198,744
2030	778,225	-	778,225	10,525,238	-	-	15,092,225	25,617,463
2031	774,170	-	774,170	164,800	-	-	5,904,225	6,069,025
2032	773,865	-	773,865	1,284,800	-	-	5,902,225	7,187,025
2033	767,075	-	767,075	120,000	-	-	5,903,450	6,023,450
2034	769,035	-	769,035	3,120,000	-	-	3,400,800	6,520,800
2035	724,260	-	724,260	-	-	-	-	-
Total	$57,930,335	$193,364,737	$251,295,072	$65,829,513	$5,527,884	$346,429,032	$299,161,412	$662,936,224

Notes:

(1) Excludes debt service on the City's Unlimited Tax General Obligation Bonds, which are secured by ad valorem taxes on property within the City. Excludes debt service on the Notes. Totals may not sum due to rounding.

(2) Includes Limited Tax Revenue Bonds paid from General Fund sources, Limited Tax Housing Revenue Bonds and Portland International Raceway loan.

(3) Reflects General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. Amounts shown include projected debt service on the variable rate 1999 Series D & E Bonds and are subject to change.

(4) Actual debt service may differ substantially from schedule above due to optional and mandatory redemption provisions.

(5) Bonds are expected to be paid from Arena Project revenues.

(6) Reflects non-General Fund portion of the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D & E. A portion of the debt service on the bonds is expected to be paid from capitalized interest. Amounts shown include projected debt service on the variable rate 1999 Series D & E Bonds (auction rate securities) and are subject to change.

(7) Includes debt service for bonds issued for the Central City Streetcar Project, Convention Center Expansion Project, Portland Mall Revitalization Project, improvements to the Portland Center for the Performing Arts ("PCPA"), Civic Stadium (2001, JELD-WEN Field (2012), Portland-Milwaukie Light Rail (2012), and the Sellwood Bridge Project (2014). The Central City Streetcar bonds are expected to be paid from parking facility and meter revenues. Bonds issued for Convention Center expansion, PCPA, and Civic Stadium will be repaid in whole or in part from transient lodging tax and vehicle rental tax surcharges imposed by Multnomah County. Bonds issued for Portland Mall Revitalization Project expected to be repaid with meter revenues. Bonds issued for JELD-WEN Field are expected to be paid from Spectator Facilities Fund revenues. Bonds issued for Portland-Milwaukie Light Rail Project and the Sellwood Bridge Project are expected to be repaid with various transportation revenues. Also includes certain bonds for South Waterfront projects expected to be paid from revenues paid to the City by Oregon Health Sciences University.

Source: City of Portland.

CITY ECONOMIC CHARACTERISTICS

The City of Portland, with an estimated population of 613,355 as of July 1, 2015, comprises an area of approximately 145 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for a metropolitan area with an estimated population of approximately 2.36 million people as of July 1, 2015. The City is the county seat of Multnomah County and is the largest city in Oregon and the second largest city in the Pacific Northwest.

PORTLAND-VANCOUVER-BEAVERTON METROPOLITAN STATISTICAL AREA

The Portland-Vancouver-Hillsboro Metropolitan Statistical Area (the “MSA”) consists of Multnomah, Clackamas, Washington, Yamhill, and Columbia counties in Oregon, and Clark and Skamania counties in Washington. Metropolitan statistical areas are based on commuting patterns within a metropolitan area, and are used primarily for labor, employment and unemployment statistics.

Multnomah County encompasses the cities of Portland, Gresham, Troutdale, Fairview and Wood Village. Washington County contains Beaverton, Hillsboro, Tigard, and Tualatin. Clackamas County includes Milwaukie, Oregon City, Lake Oswego, West Linn and Happy Valley. The cities of St. Helens and Scappoose are located in Columbia County. Yamhill County includes McMinnville and Newberg. Clark County contains Vancouver and Camas, Skamania County includes Stevenson, Carson and Skamania.

POPULATION

The population for the City has increased steadily over the past decade, as shown in the table below.

Table 31
CITY OF PORTLAND, OREGON
Population Estimate for the Last Ten Years

As of July 1	State of Oregon	City of Portland	MSA [1]	Multnomah County	Washington County	Clackamas County
2006	3,690,505	562,690	2,121,910	701,545	500,585	367,040
2007	3,745,455	568,380	2,159,720	710,025	511,075	372,270
2008	3,791,075	575,930	2,191,784	717,880	519,925	376,660
2009	3,823,465	582,130	2,216,785	724,680	527,140	379,845
2010	3,837,300	583,775	2,230,578	736,785	531,070	376,780
2011	3,857,625	585,845	2,245,400	741,925	536,370	378,480
2012	3,883,735	587,865	2,265,725	748,445	542,845	381,680
2013	3,919,020	592,120	2,291,650	756,530	550,990	386,080
2014	3,962,710	601,510	2,324,535	765,775	560,465	391,525
2015	4,013,845	613,355	2,362,655	777,490	570,510	397,385
2006-2015 Compounded Annual Rate of Change	0.9%	1.0%	1.2%	1.1%	1.5%	0.9%
2011-2015 Compounded Annual Rate of Change	1.0%	1.2%	1.3%	1.2%	1.6%	1.2%

Note: The federal Census figures, as of April 1 of the stated year, are as follows:

	1980	1990	2000	2010
State of Oregon	2,633,156	2,842,321	3,421,399	3,831,074
Multnomah County	562,647	583,887	660,486	735,334
City of Portland	368,139	438,802	529,121	583,776
Washington County	245,860	311,554	445,342	529,710
Clackamas County	241,911	278,850	338,391	375,992

Notes:

(1) Portland State University Population Research Center defines the Portland-Vancouver-Beaverton Metropolitan Statistical Area as Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

Source: Washington State Office of Financial Management; Portland State University, Center for Population Research. Under Oregon State law, the State Board of Higher Education must estimate annually the population of Oregon cities and counties so that shared revenues may be properly apportioned. The Center for Population Research and Census at Portland State University performs this statutory duty. Under Washington State law, the Office of Financial Management must annually estimate the population of Washington cities and towns.

INCOME

Table 32 below shows personal income and per capita income for the MSA compared to similar data for the State and nation.

Table 32
CITY OF PORTLAND, OREGON
Total Personal Income and Per Capita Income
MSA, Oregon, and the United States

Year	Total Personal Income MSA (millions)	Per Capita Income MSA	Per Capita Income Oregon	Per Capita Income USA
2005	$74,860	$36,211	$32,434	$35,904
2006	81,122	38,571	34,546	38,144
2007	85,542	40,014	35,648	39,821
2008	89,875	41,362	36,750	41,082
2009	86,819	39,343	35,390	39,376
2010	88,688	39,733	35,791	40,277
2011	94,578	41,845	37,512	42,453
2012	100,470	43,898	39,083	44,266
2013	101,893	44,019	39,426	44,438
2014	107,536	45,794	41,220	46,049
2005-2014 Compounded Annual Rate of Change	4.1%	2.6%	2.7%	2.8%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, as of March 10, 2016.

LABOR FORCE AND UNEMPLOYMENT

Table 33 below shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 2006 through 2015. For May 2016, the seasonally-adjusted unemployment rate for the MSA was 4.4 percent (4.5 percent not seasonally-adjusted) with a resident civilian labor force of 1,265,884 (not seasonally-adjusted). Table 34 below shows the seasonally-unadjusted, average annual unemployment rates for the MSA, the State and the United States for the period 2006 through 2015.

Table 33
CITY OF PORTLAND, OREGON
MSA Labor Force and Unemployment Rates(1)

Year	Resident Civilian Labor Force	Unemployment Number	Unemployment Percent of Labor Force	Total Employment
2006	1,119,097	57,219	5.1%	1,061,878
2007	1,144,909	56,925	5.0	1,087,984
2008	1,170,355	71,136	6.1	1,099,219
2009	1,184,164	128,971	10.9	1,055,193
2010	1,207,840	123,713	10.2	1,084,127
2011	1,214,756	108,919	9.0	1,105,837
2012	1,199,266	95,678	8.0	1,103,588
2013	1,180,049	84,116	7.1	1,095,933
2014	1,200,615	73,916	6.2	1,126,699
2015	1,224,063	64,602	5.3	1,159,461

Notes:

(1) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants. Not seasonally adjusted.

Source: Oregon Employment Department as of June 2, 2016.

Table 34
CITY OF PORTLAND, OREGON
Average Annual Unemployment
MSA, Oregon, and the United States
(Not Seasonally Adjusted)

Year	MSA	State of Oregon	USA
2006	5.1%	5.3%	4.6%
2007	5.0	5.2	4.6
2008	6.1	6.5	5.8
2009	10.9	11.3	9.3
2010	10.2	10.6	9.6
2011	9.0	9.5	8.9
2012	8.0	8.8	8.1
2013	7.1	7.9	7.4
2014	6.2	6.8	6.2
2015	5.3	5.7	5.3

Source: Oregon Employment Department as of June 2, 2016.

EMPLOYMENT BY INDUSTRY

Non-manufacturing employment (including government) accounts for about 89 percent of non-farm employment in the Portland area. The Portland metropolitan area's manufacturing employment, accounting for the remaining 11 percent of area employment, is largely based in the metals and computer and electronic equipment sectors.

Table 35
CITY OF PORTLAND, OREGON
Portland-Vancouver-Hillsboro, OR-WA MSA
Non-Farm Wage and Salary Employment (1)(000)

Industry	2011	2012	2013	2014	2015
Total nonfarm employment	**998,500**	**1,020,100**	**1,044,500**	**1,076,000**	**1,111,600**
Total private	**852,800**	**875,300**	**900,300**	**929,500**	**961,700**
Mining and logging	1,100	1,000	1,100	1,200	1,300
Construction	47,100	49,000	52,200	55,600	56,100
Manufacturing	111,100	114,200	115,600	118,100	121,900
Durable goods	83,400	86,100	86,700	88,100	90,900
Wood product manufacturing	3,300	3,400	3,600	3,700	3,800
Primary metal manufacturing	5,700	6,100	6,400	6,400	6,400
Fabricated metal product manufacturing	11,900	12,400	12,600	12,400	12,700
Machinery manufacturing	7,700	8,000	8,300	8,700	8,900
Computer and electronic product manufacturing	34,700	35,400	35,300	35,400	36,700
Transportation equipment manufacturing	6,800	7,300	7,000	7,400	7,800
Nondurable goods	27,700	28,200	28,900	29,900	30,900
Food manufacturing	9,700	10,200	11,000	11,800	12,200
Paper manufacturing	3,400	3,300	3,300	3,100	3,100
Trade, transportation, and utilities	187,600	190,800	195,700	202,200	207,400
Wholesale Trade	51,300	52,700	53,800	54,200	55,400
Retail trade	102,400	104,300	107,700	111,500	114,900
Utilities	2,200	2,200	2,300	2,300	2,200
Transportation and warehousing	31,600	31,600	31,900	33,200	34,900
Information	22,700	23,200	23,300	23,500	24,500
Financial activities	61,700	62,300	63,400	64,100	66,200
Professional and business services	142,300	148,500	155,800	164,000	170,900
Educational and health services	147,000	149,400	152,200	155,900	161,100
Leisure and hospitality	96,800	100,200	104,200	107,900	113,300
Other services	35,400	36,600	36,900	38,100	39,100
Government	**145,700**	**144,800**	**144,100**	**146,500**	**149,900**

Notes:

(1) Not seasonally adjusted.

Source: State of Oregon, Employment Department QualityInfo.org as of June 2, 2016.

Table 36
CITY OF PORTLAND, OREGON
Major Employers in the MSA

Employer	Product or Service	Estimated Metro Area Employment
Private Employers		
Intel Corporation	Computer and electronic products	18,600
Providence Health System	Health care & health insurance	16,139
Kaiser Permanente Northwest	Health care	11,898
Fred Meyer Stores	Grocery & retail variety chain	10,813
Legacy Health System	Health care	8,700
Nike Inc.	Sports shoes and apparel	8,500
Wells Fargo	Bank	4,527
Southwest Washington Medical Center	Health care	4,446
U.S. Bank	Bank & holding company	3,757
Daimler Trucks North America	Heavy duty trucks	3,000
New Seasons Market	Grocery	3,000
Portland General Electric	Utility	2,280
The Standard	Insurance	2,175
Public Employers		
Oregon Health and Science University	Health care & education	14,963
Portland Public Schools	Education	6,135
Multnomah County	Local government	5,995
City of Portland	Local government	5,481
Beaverton School District	Education	4,637
Portland Community College	Education	3,906
U.S. Postal Service	Federal government	3,533
Portland State University	Education	3,418
U.S. Dept. of Veterans Affairs	Federal government	3,378
Vancouver School District	Education	3,300
Evergreen School District	Education	3,292
TriMet	Mass transit	2,645
Hillsboro School District	Education	2,539
Clackamas County	Local government	2,181

Source: Portland Business Journal, December 25, 2015.

REAL ESTATE

Industrial

A diverse mix of industrial properties are located throughout the Portland metropolitan area for all types of industrial use, including more than 190 million square feet of industrial and business park space. On the eastside, the Columbia Corridor is the largest industrial area in Oregon, containing approximately 22,600 acres or 28 square miles along an 18-mile stretch of land that runs along the southern shore of the Columbia River. The Columbia Corridor includes the Rivergate Industrial District, marine terminals, and Portland International Airport ("PDX"). The Rivergate Industrial Park is a 2,800-acre area owned by The Port of Portland (the "Port") in North Portland. In addition to Rivergate's access to the Columbia River and PDX, the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives.

Just west of the City, the Sunset Corridor has emerged as the center for Oregon's high technology industry, including Intel's approximately 18,000-employee campuses. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. Another large submarket for industrial and flex space is the Interstate 5 ("I-5") Corridor, which extends from southwest Portland to the City of Wilsonville along I-5.

Portland's industrial sector vacancy rates continue to decline reflecting growth in the Portland economy and expansion in the trade, transportation, utilities and manufacturing sectors, according to Cushman & Wakefield in their publication *Marketbeat—Industrial Snapshot, Portland, OR, Q4 2015*. Cushman & Wakefield report overall vacancy rates for the fourth quarter 2015 of 4.9 percent, down from the fourth quarter 2014 rate of 5.3 percent. Cushman & Wakefield note that rental rates are increasing throughout the Portland market, particularly for Class A product. Overall net absorption was approximately 5.8 million square feet through the fourth quarter of 2015 compared to 2.9 million square feet over the same period in the prior year. A total of 2,632,831 square feet of new construction is reported to be underway.

Office

The Portland metropolitan area office market is home to diverse architectural styles ranging from Class-A office space to unique historical buildings in downtown Portland.

The strength of Portland's economy is also having a positive effect on its office market, as reported in *Marketbeat—Office Snapshot, Portland, OR, Q4 2015* prepared by Cushman & Wakefield. The fourth quarter overall vacancy rate for the Portland region was 10.3 percent, which is an improvement from the fourth quarter 2014 vacancy rate of 11.1 percent. Cushman & Wakefield report that vacancy rates in the central business district have declined for five straight quarters with a current rate of 8.9 percent. Overall absorption in the central business district totaled 244,949 square feet for the fourth quarter of 2015. The suburban market was weaker, with a fourth quarter 2015 overall vacancy rate of 12.0 percent, but higher rents in the central business district are helping to improve leasing of suburban space as tenants are priced out of that market. Class A office space in the downtown continues to fare better than the rest of the market, with asking rents averaging $31.24 per square foot compared to $24.34 per square foot for the Class A space in the Portland region's suburban market.

Housing

The year-to-date median selling price of a home in the Portland metropolitan area through January 2016 was $310,000, up 10.7 percent from the January 2015 year-to-date price of $280,000, according to the Realtors Metropolitan Area Multiple Listing Service ("RMLS"). Through January 2016, homes in the Portland metropolitan area were on the market an average of 57 days during the year. Portland metropolitan area closed sales year-to-date were up 25.9 percent from the same period in 2014.

The table below compares the median home sale price for the fourth quarter of 2014 and 2015 in the Portland metropolitan region and with the nation.

Table 37
CITY OF PORTLAND, OREGON
Median Home Sale Price
(U.S. and Portland Metropolitan Area)

Region	4th Quarter 2014	4th Quarter 2015	Percent Change
U.S.	$208,400	$222,700	6.9%
Portland Metro. Area	288,900	318,800	10.3%

Source: National Association of Realtors and RMLS.

The market for condominiums is shown in the table below.

Table 38
CITY OF PORTLAND, OREGON
Median Condo/Coop Sale Price
(U.S. and Portland Metropolitan Area)

Region	4th Quarter 2014	4th Quarter 2015	Percent Change
U.S.	$202,000	$209,200	3.6%
Portland Metro. Area	189,700	202,900	7.0%

Source: National Association of Realtors and RMLS.

Residential building permits are an indicator of growth in a region. The number and value of new single-family and multi-family residential building permits for the City are shown below.

Table 39
CITY OF PORTLAND, OREGON
New Single-family and Multi-family
Residential Construction Permits

	New Single Family		New Multi-Family	
Year	No. of Permits	Value	No. of Permits	Value
2006	1,256	$232,917,661	164	$241,125,419
2007	1,205	236,732,683	179	346,708,925
2008	648	126,171,068	73	410,957,333
2009	427	86,645,801	15	44,978,728
2010	435	95,809,473	30	86,511,573
2011	451	101,302,272	44	92,746,314
2012	644	148,883,319	64	166,493,454
2013	763	181,106,655	105	286,152,929
2014	792	204,151,344	120	569,177,585
2015	877	233,108,737	147	456,148,311

Source: U.S. Census Bureau as of May 16, 2016.

TRANSPORTATION AND DISTRIBUTION

Location and topography have established the City as a leading warehousing and distribution center for the Pacific Northwest. The City's location at the head of deep-water navigation on the Columbia River system gives it geographic and, therefore, economic advantages for the shipment of freight.

The Columbia River ship channel extends from the Portland Harbor to the Pacific Ocean 110 miles downstream. The Columbia River provides the only water route through the Cascade Mountains to the agricultural regions of eastern Oregon, Washington, and northern Idaho. This region has been opened to slack-water barge navigation by means of locks installed in a series of federal hydroelectric projects on the lower Columbia River and its largest tributary, the Snake River. There are two primary barge lines providing service between the upriver ports and Portland. In addition, the Columbia River Gorge forms a corridor through the Cascade mountains which, because it is level, provides an economical rail and highway route between the City and the region east of the Cascade mountains.

The Port is a port district encompassing Multnomah, Clackamas and Washington counties. The Port owns and maintains four marine terminals, four airports, and seven business parks. In tonnage of total waterborne commerce, the Port is currently ranked as the third largest volume port on the West Coast. The Port is the largest wheat export port in the United States and is the largest volume auto handling port and mineral bulks port on the West Coast. Leading exports include wheat, soda ash, potash and hay. Leading imports include automobiles, petroleum products, steel and limestone.

In 2015, 352 ocean-going vessels made calls at Port facilities. Total maritime tonnage in 2015 decreased by 35 percent to 8.4 million short tons in 2015 compared to 12.9 million in 2014. Hanjin Shipping withdrew direct call service from the Port effective March 9, 2015. It was the largest container carrier offering service via Terminal 6, Oregon's only deep draft international container terminal. In March 2015, Hapag-Lloyd, the second largest carrier to Terminal 6, also discontinued service to Portland.

PDX handled approximately 16.8 million passengers in 2015, with more than 400 flights daily. This includes nonstop service on international flights to Amsterdam, Netherlands; Tokyo, Japan; Frankfurt, Germany, Reykjavik Iceland, and several destinations in Mexico and Canada. In 2015, 228,428 short tons of cargo and 9,377 short tons of mail were handled by PDX. Portland is also served by three publicly operated general aviation airports located in the suburban areas.

Portland is also in a strategic position to serve the Willamette Valley, which extends approximately 145 miles south from the City and is one of the nation's most diversified and productive agricultural regions and food processing centers.

Two major railroads—the Burlington Northern Santa Fe and Union Pacific—plus the Amtrak passenger train system serve the Portland metropolitan area.

Transportation is facilitated by a highway system that includes I-5, the primary north-south highway artery of the West Coast, and two by-pass routes, Interstate 205 and Interstate 405, within and around the City. The primary east-west highway system is Interstate 84, which begins at Portland and heads east along the Columbia River to Idaho and beyond. The Portland metropolitan area is also served by U.S. highways 26 and 30, Oregon highways 43, 213, 217, 224, 99E, 99W, the Tualatin Valley Highway, the historic Columbia River Highway, nine bridges across the Willamette River and two bridges across the Columbia River.

The Tri-County Metropolitan Transportation District of Oregon ("TriMet"), the regional public transit agency, provides rail and bus service throughout the Portland metropolitan area. During TriMet's fiscal year, from July 2014 through June 2015, passengers boarded a TriMet fixed-route bus or train approximately 101.75 million times. TriMet's light rail system ("MAX") connects downtown Portland with the cities of Gresham, Beaverton and Hillsboro, as well as North/Northeast Portland, Clackamas Town Center, and PDX. TriMet also provides commuter rail service between Beaverton and Wilsonville.

The Portland Streetcar connects South Waterfront area along the Willamette River, the Pearl District and Northwest Portland, the Lloyd District in northeast Portland and the Central Eastside district. The Portland Streetcar is owned and operated by the City, which has entered into contracts with TriMet for train operators and mechanics.

TOURISM, RECREATION AND CULTURAL ATTRACTIONS

Portland is Oregon's largest city and the center of business and transportation routes in the state, and therefore accommodates a large share of the state's tourist and business visitors. Portland is a destination for many tourists who are drawn to its diverse cultural and recreational facilities. These include the Oregon Symphony and associated musical organizations, Portland Center for the Performing Arts, Oregon Ballet, Portland Opera, Portland Center Stage, Portland Art Museum, Oregon Historical Society Museum, Children's Museum, Oregon Museum of Science and Industry, Forest Discovery Center, Japanese Gardens, International Rose Test Gardens, the Lan Su Chinese Garden and the Oregon Zoo. The metropolitan area includes more than 40 other local theater and performance art companies and ten additional gardens of special interest. Portland is the home of Forest Park, the largest urban park in the United States with a total of more than 5,000 acres. A prime tourist attraction for the City, known as the City of Roses, is the three-week long Portland Rose Festival held each June since 1907. More than two million participants enjoy the festival annually.

A 90-minute drive from Portland in almost any direction provides access to numerous recreational, educational, and leisure activities. The Pacific Ocean and the Oregon Coast to the west, the Columbia Gorge and Mt. Hood, Mt. St. Helens and Mt. Adams in the Cascade Range to the east, and the Willamette Valley to the south offer opportunities for hiking, camping, swimming, fishing, sailboarding, skiing, wildlife watching, and numerous other outdoor activities.

The National Basketball Association ("NBA") Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Veteran's Memorial Coliseum), as do the major-junior Western Hockey League ("WHL") Portland Winterhawks. Providence Park is the home of the Major League Soccer ("MLS") Portland Timbers and National Women's Soccer League ("NWSL") Portland Thorns FC.

HIGHER EDUCATION

Within the Portland metropolitan area are several post-secondary educational systems. Portland State University ("PSU"), the largest university in the Oregon University System, is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers over 200 undergraduate, masters, and doctoral programs. Enrollment for the Fall 2015 term was approximately 28,000 students. PSU is noted for the development of programs specifically designed to meet the needs of the urban center.

Oregon State University and the University of Oregon, also within the Oregon University System, have field offices and extension activities in the Portland metropolitan area.

OHSU's Marquam Hill campus sits on more than 100 acres overlooking downtown Portland. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children's Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs. Enrollment at the Portland campus for Fall 2015 was approximately 2,125 medical, dental, nursing, science, and allied health students.

Independent colleges in the Portland metropolitan area include Lewis & Clark College, University of Portland, Reed College, Linfield College-Portland Campus, ITT Technical Institute, and Marylhurst University; and several smaller church-affiliated schools, including Warner Pacific College, Concordia University, George Fox University, and Cascade College. Several community colleges serve the Portland metropolitan area including Portland Community College, Mt. Hood Community College, and Clackamas Community College.

UTILITIES

Electric Power and Natural Gas

Electricity is provided by Portland General Electric Company ("PGE") and Pacific Power. Low-cost hydroelectric power provides a substantial portion of the area's energy requirements. NW Natural distributes natural gas.

Communications

Telephone services are provided by CenturyLink and, in some areas, Frontier. The Portland metropolitan area is also served by three cable service providers, primarily Comcast within the Portland city limits, and Frontier and Reliance Connects in other parts of the region.

Water, Sewer, and Wastewater

The City operates the water supply system that delivers drinking water to residents of Portland. Approximately 960,000 people, almost one-quarter of the state's population, are served by the City's water system on a wholesale and retail basis within its 225 square mile service area. The primary water source is the Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood. The City also uses groundwater as a supplemental water supply.

The City also owns, operates, and maintains sanitary and storm water collection, transportation, and treatment systems within its boundaries. The City provides sanitary sewer service to approximately 613,000 people, numerous commercial and industrial facilities, and several wholesale contract customers located adjacent to the City.

THE INITIATIVE PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed initiative measures are submitted that do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

PROCESS FOR QUALIFYING STATE-WIDE INITIATIVES TO BE PLACED ON THE BALLOT

To place a proposed state-wide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. State-wide initiatives may only be filed for general elections in even-numbered years.

A state-wide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition.

Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Table 40
CITY OF PORTLAND, OREGON
Statewide Initiative Petitions that Qualified and Passed
2004-2014

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
2004	6	2
2006	10	3
2008	8	0
2010	4	2
2012	7	2
2014	4	2

Source: Elections Division, Oregon Secretary of State.

FUTURE STATE-WIDE INITIATIVE MEASURES

The next election at which citizen initiatives may be placed on the statewide ballot will be in November of 2016. An initiative petition to amend the Oregon Constitution must be signed by at least 117,578 registered voters. An initiative to amend or create a statute must be signed by at least 88,184 registered voters. Signed petitions must be filed with the Oregon Secretary of State no later than July 8, 2016, and the Secretary of State must determine whether petitions have received sufficient signatures to qualify to be placed on the November 2016 ballot no later than August 7, 2016. The City is not currently aware of any statewide initiative petitions that are being circulated for the November 2016 election which, if enacted, appear likely to have a material and adverse effect on the City or the FPDR Fund.

The recent experience in Oregon is that many more initiative measures are proposed in some form than receive the number of signatures required to be placed on a ballot. Consequently, the City cannot accurately predict whether specific future initiative measures that may have an adverse effect on the City's financial operations will be proposed, obtain sufficient signatures, and be placed on a ballot for voter approval, or if placed on a ballot, will be approved by voters.

The Oregon Secretary of State's office maintains a list of all initiative petitions that have been submitted to that office. The office can be reached by telephone at (503) 986-1518.

LOCAL INITIATIVES

Article IV, Section 1 and Article XI, Section 2 of the Oregon Constitution and state statutes grant the voters in the City the initiative power to amend the City Charter or City ordinances, and to refer City Ordinances. A petition to refer a City measure must be signed by six percent of the registered voters in the City. A petition to initiate a City measure must be signed by nine percent of the registered voters in the City. No initiative or referendum petitions are currently being circulated that would limit the financial powers of the City. The City Council or a Charter Commission may also refer measures directly to voters. Under current law, local initiative and referendum elections may be held only in March, May, September and November, unless the City Council calls for a special election due to public interest in prompt resolution.

TAX MATTERS

OPINION OF NOTE COUNSEL

In the opinion of Hawkins Delafield & Wood LLP, Note Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Note Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Notes, and Note Counsel has assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Note Counsel to the City, under existing statutes, interest on the Notes is exempt from State of Oregon personal income tax.

Note Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Note Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Note Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

BOND PREMIUM

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the bond premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Notes.

INFORMATION REPORTING AND BACKUP WITHOLDING

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

MISCELLANEOUS

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes. For example, budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions and other tax benefits, including tax-exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

RATING

The Notes have been rated "MIG 1" by Moody's Investor Service, Inc. ("Moody's"). The rating reflects only the view of the rating organization and any desired explanation of the significance of the rating should be obtained from Moody's Investors Service, Inc., 250 Greenwich Street, New York, New York, 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Notes.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes by the City are subject to the approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Note Counsel. Note Counsel has reviewed this Official Statement only to confirm that the portions of it describing the Notes, the Ordinance, and the authority to issue the Notes conform to the Notes and the applicable laws under which they are issued. The statements made in this Official Statement under the captions "THE NOTES" and "TAX MATTERS" have been reviewed and approved by Note Counsel. All other representations of law and factual statements contained in this Official Statement, including but not limited to all financial and statistical information and representations contained herein, have not been reviewed or approved by Note Counsel.

LITIGATION

NO LITIGATION CHALLENGING THE NOTES

No litigation is pending against the City or, to the knowledge of the officers of the City charged with issuing the Notes, threatened in any court or other tribunal of competent jurisdiction, state or federal, in any way (1) restraining or enjoining the issuance, sale, or delivery of the Notes, (2) questioning or affecting the validity of the Notes or (3) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution, or delivery of the Notes.

LITIGATION GENERALLY

Because the City cannot be certain when a threat of litigation is made, the City reports threats of litigation only when the City is engaged in active settlement negotiations in order to pre-empt filing of a lawsuit. Further, the City generally discloses only pending or threatened litigation which the City has determined may have a materially adverse impact on the City's financial position in relation to the Notes; for the Notes that involves litigation where the damages or performance sought has a reasonable probability of imposing liability of $5 million or more. Except as described below, no such litigation is currently pending or, to the knowledge of the officers of the City charged with issuing the Notes, threatened.

On December 6, 2011, the City received a complaint in Anderson et al. v. City of Portland, Multnomah County Circuit Court case No. 1112-15957. The complaint challenges certain expenditures by the City's Water Bureau and Bureau of Environmental Services and asks for an order requiring the City to reimburse the Water Fund and Sewage Disposal Fund for those expenditures. The complaint does not allege the amount in dispute or the source of the reimbursement. The City is currently investigating the claims. Based on current incomplete information, the City estimates that if plaintiffs prevailed on all claims and a court ordered the relief requested, the reimbursement amount could exceed $50 million. The City has not identified potential sources of any court-ordered reimbursement, but such sources could include any legally available resources of the City, including the City's General Fund. The City is vigorously defend the lawsuit and believes that it is unlikely that the plaintiffs will prevail on the majority of the claims alleged.

In December 2000, Portland Harbor was listed as a federal Superfund site and the City received General Notice Letters from the U.S. Environmental Protection Agency ("EPA") stating that the City may have liability for releases of hazardous substances, pollutants or contaminants in the Willamette River. The City may also have liabilities to the Portland Harbor Natural Resource Trustees (including tribes and federal and state resource agencies) for damages to natural resources in Portland Harbor. On June 8, 2016, EPA issued its Proposed Plan for the Portland Harbor Superfund Site, which estimated costs of approximately $750 million to implement the preferred alternative. 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. A Record of Decision cannot be issued until a final cleanup alternative is selected by EPA. The City believes that an estimate of maximum City exposure of Portland Harbor cleanup costs cannot be made at this time. The City will defend against a significant allocation of liability to the City. The City has not identified potential sources of funding for costs allocated to the City, but such sources could include any legally available resources of the City, including the City's General Fund.

The FPDR Fund is involved in various claims and legal actions in the normal course of business, typically involving less than $50,000. The Fund maintains a contingency budget that management feels is sufficient to cover estimated litigation risks in the current fiscal year. However, three wage grievances have been brought against the City that may have a larger financial impact on the FPDR Fund. The grievances allege that a 2012 change in the final pay definition used to calculate FPDR Two pensions violates the existing standards clauses of the City's sworn collective bargaining agreements. In May 2016, an arbitrator directed the City to make whole Portland Police Association members impacted by the change in the future and back to January 1, 2013. No decisions have been issued for the two other grievances. The potential financial impact of all three grievances is less than $150,000 in one-time retroactive payments and less than $50,000 in FY 2016-17 costs. However, the long range cost was estimated at $40 million in net present value terms by external actuaries at the time of the 2012 change, and the City's current Levy Adequacy Analysis does not include those costs. Independent actuaries will assess the long term impact of any changes in the final pay calculation as part of the next levy adequacy analysis, expected in early 2017.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the Notes, the City will deliver a certificate to the underwriters to the effect that the City has examined this Official Statement and the financial and other data concerning the City contained herein and that, to the best of the City's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Notes, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of this Official Statement and the date of delivery of the Notes, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference should be made to said laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the underwriters or owners of any of the Notes. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official

Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies, since the date hereof.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement and its appendices, the words "estimate," "forecast," "intend," "expect," "projected," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix D for the benefit of the Note holders.

Except as provided herein, in the previous five years, the City believes it has complied in all material respects with any previous continuing disclosure undertakings executed in connection with the Rule. Prior to July 2012, underlying ratings that were upgraded in connection with a new issuance of uninsured bonds may have been communicated via publication or posting of an Official Statement which included the upgraded rating, rather than posting of a separate notice. Additionally, the City has failed to provide certain financial information related to continuing disclosure undertakings executed in connection with multifamily housing revenue bonds issued by Home Forward, formerly the Housing Authority of Portland, for which the City executed subject-to-annual-appropriation contingent loan agreements in support of those bonds. The City has incorporated the filing of such information for the applicable Home Forward bonds into its post-issuance policies and procedures in order to maintain compliance with these continuing disclosure undertakings.

CONCLUDING STATEMENT

This Official Statement has been deemed final by the City for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The undersigned certifies that to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Notes, does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) between the date of this Official Statement and the date of delivery of the Notes there has been no material change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by this Official Statement.

The execution and delivery of this Official Statement has been duly approved by the City.

CITY OF PORTLAND, OREGON

By: /s/ ERIC H. JOHANSEN
Debt Manager
Office of Management and Finance

APPENDIX A
ORDINANCE

CITY OF PORTLAND, OREGON

1851

ORDINANCE No. 187801

* Authorize a borrowing of not more than $34,476,000 in anticipation of the Fire and Police Disability and Retirement Fund levy for fiscal year 2016-2017 (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. The Fire and Police Disability and Retirement Fund of the City of Portland (the “City”) will experience a cumulative cash flow deficit during fiscal year 2016-2017 due to the timing of collections of property taxes.

2. Oregon Revised Statutes Section 287A.180 authorizes the City to borrow money in anticipation of taxes and other moneys to be received by the City in fiscal year 2016-2017, and to pledge its anticipated taxes and other revenues to secure those borrowings, so long as the borrowings mature within 13 months after they are issued and do not exceed 80 percent of the amount the City has budgeted to receive in that fiscal year.

3. The City will budget to receive approximately $127.6 million of ad valorem taxes for the Fire and Police Disability and Retirement Fund in fiscal year 2016-2017.

4. Federal law permits the City to finance its cashflow deficit in the Fire and Police Disability and Retirement Fund with tax-exempt obligations, and to avoid payment of arbitrage rebate in connection with the borrowings, if within six months after the obligations are issued the City’s maximum cumulative cash flow deficit, calculated taking into account a reasonable working capital reserve, does not exceed the amount the City borrows.

5. The City adopts this Ordinance to authorize the City to borrow up to $34,476,000 in anticipation of the Fire and Police Disability and Retirement Fund levy for fiscal year 2016-2017.

NOW, THEREFORE, the Council directs:

a. The City hereby authorizes borrowings in an aggregate principal amount of not more than $34,476,000 to finance its deficit in the Fire and Police Disability and Retirement Fund in anticipation of the receipt of its Fire and Police Disability and Retirement Fund levy for fiscal year 2016-2017, and to pay the costs of the borrowings. The borrowings shall mature not later than thirteen months after they are issued, shall be issued under the authority of ORS 287A.180, and may be in the form of one or more notes, lines of credit, or other obligations. In connection with these borrowings, the Debt Manager of the City, the City Treasurer, the Director of the Bureau of Revenue and Financial Services, the Chief Administrative Officer of the Office of Management and Finance, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this Ordinance (any of whom is referred to in this Ordinance as a “Debt Manager”) may, on behalf of the City and without further action by the Council:

    1. borrow money from one or more commercial banks in the form of notes, lines of credit or other obligations, or sell notes or other obligations in the public securities markets by negotiated sale or competitive bid;

2. participate in the preparation of, authorize the distribution of, and deem final any disclosure documents that are desirable for the borrowings;

3. establish the final principal amounts, maturity dates, interest rates, sale prices, redemption terms, payment terms and dates, and other terms of the borrowings within the limitations of this Ordinance;

4. pledge the City's full faith and credit, ad valorem taxing power, and any other City taxes and revenues to pay the borrowings;

5. provide that the borrowings bear interest that is excludable from, or includable in, gross income under the federal internal revenue code;

6. covenant to comply with the requirements of federal law that are necessary for interest on tax-exempt borrowings to be excludable from gross income under the federal internal revenue code, or to receive federal income tax subsidies in connection with the borrowings;

7. negotiate the terms of, and execute and deliver any legal documents that are desired to carry out the borrowings authorized by this Ordinance, execute and deliver any related certificates or other documents, and take any other action in connection with the borrowings which the Debt Manager finds will be advantageous.

Section 2. The Council declares that an emergency exists in order that the borrowings may be done as soon as possible; therefore, this Ordinance shall be in full force and effect from and after its passage by the Council.

APPENDIX B
EXCERPTS OF AUDITED FINANCIAL STATEMENTS

CITY OF PORTLAND, OREGON
1851

INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2011, 2012, 2013, 2014 and 2015. Copies of these financial statements containing the reports of the independent certified public accountants are available on the City's website at:

http://www.portlandonline.com/omf/index.cfm?c=26053

The following pages in this Appendix B are excerpted from the City's Comprehensive Annual Financial Reports of the City for Fiscal Years ending June 30, 2011 through June 30, 2015. The notes that follow the tabular data have been prepared by the City and have not been reviewed by the independent auditor.

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

CITY OF PORTLAND, OREGON

1851

CITY OF PORTLAND, OREGON
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Generally Accepted Accounting Principles Basis
for Fiscal Year Ended June 30

	2011	2012	2013	2014	2015
Revenues					
Taxes	$319,045,070	$316,581,372	$331,613,653	$338,338,808	$360,355,397
Payments in lieu of taxes	408,159	1,659,725	1,177,430	924,647	586,440
Rents and reimbursements	3,959,316	3,932,082	4,180,073	4,738,380	4,686,789
Licenses and fees (1)	141,302,069	147,754,216	159,809,166	167,880,349	184,881,129
Intergovernmental revenues	25,383,062	25,047,456	26,621,532	27,200,418	28,463,550
Charges for services(2)	11,116,411	12,084,527	12,404,476	12,395,309	13,899,341
Interagency	37,133,614	45,233,983	45,663,634	48,238,550	44,969,245
Miscellaneous service charges	2,207,201	1,527,842	1,561,715	2,494,754	3,382,288
Investment earnings	1,621,034	1,151,688	1,013,161	1,279,286	1,382,154
Other miscellaneous revenues	2,876,120	2,988,051	3,421,091	3,243,842	3,521,445
Total revenues	545,052,056	557,960,942	587,465,931	606,734,343	646,127,778
Expenditures					
Public safety	355,237,833	371,736,806	375,692,965	386,756,653	406,094,441
Parks/recreation/cultural	61,497,188	66,789,435	66,046,161	63,842,686	69,068,004
Community development	31,448,667	35,570,444	35,332,633	36,329,749	42,826,296
Transportation and metered parking	2,819	-	-	-	-
Support svcs./legis./admin.	58,601,261	61,630,240	69,535,327	63,226,710	64,893,554
Capital outlay	1,756,789	1,510,673	3,159,762	6,815,692	6,233,281
Debt service and related costs (3)	5,318,785	5,726,067	6,275,927	6,824,590	7,452,062
Total expenditures	513,863,342	542,963,665	556,042,775	563,796,080	596,567,638
Revenues over (under) expenditures	31,188,714	14,997,277	31,423,156	42,938,263	49,560,140
Other Financing Sources (Uses)					
Transfers in	4,739,963	3,030,705	3,392,858	10,348,435	4,850,709
Transfers out	(34,258,943)	(34,860,071)	(32,798,151)	(35,609,531)	(45,299,251)
Proceeds from sale of capital assets	5,653	2,998	21,307	0	300
Total other sources (uses)	(29,513,327)	(31,826,368)	(29,383,986)	(25,261,096)	(40,448,242)
Net change in fund balances	1,675,387	(16,829,091)	2,039,170	17,677,167	9,111,898
Fund balance, beginning	91,872,408	94,080,787	77,251,696	79,290,866	96,968,033
Reclassifications					
Special revenue fund to general fund per GASB 54	532,992	-	-	-	-
Fund balances, ending	$94,080,787	$77,251,696	$79,290,866	$96,968,033	$106,079,931

Notes:

(1) Reflects internal and external utility license fees, business licenses, construction permits and other permits and penalties.

(2) Beginning in FY 2010-11 interagency revenues are reported separately from charges for services from external entities.

(3) Beginning in FY 2009-10 the general fund portion of the debt service on the 1999 Pension Bonds was paid directly from the general fund. Previously it was paid via a transfer out to the Pension Debt fund. This reclassification was to accommodate the City's new financial system.

Source: Derived from City of Portland audited annual financial statements.

CITY OF PORTLAND, OREGON
General Fund
Consecutive Balance Sheets as of June 30

	2011	2012	2013	2014	2015
ASSETS:					
Unrestricted:					
Cash and investments	$75,817,940	$58,305,999	$53,324,870	$73,099,421	$80,235,981
Receivables:					
Taxes	11,517,113	13,823,796	13,832,534	14,192,434	15,131,852
Accounts, interest and advances	23,885,800	22,085,392	32,916,876	32,080,432	32,983,664
Assessments	67,947	59,818	16,072	19,876	16,336
Due from other funds	28,234	28,234	28,234	-	-
Due from component units	534,328	457,599	474,444	318,277	232,755
Internal loans	500,000	3,851,000	1,150,000	695,000	725,000
Inventories	-	367,454	352,483	299,864	286,027
Prepaid Items	234,968	187,634	178,764	245,429	227,747
Restricted:					
Cash and investments	5,458,561	5,633,446	5,785,176	5,881,293	5,966,918
Receivables:					
Taxes	6,555,139	7,658,565	7,770,556	8,231,915	7,398,731
Total assets	$124,600,030	$112,458,937	$115,830,009	$135,063,941	$143,205,011
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities payable from unrestricted assets:					
Accounts payable	$7,385,335	$8,268,080	$7,147,783	$7,729,597	$8,775,467
Deferred revenue	9,467,829	12,062,839	-	-	-
Unearned revenue	64,114	193,644	121,292	152,320	156,593
Internal loans payable	-	-	1,460,226	1,323,735	-
Due to component unit	1,588,265	1,390,667	1,901,883	1,255,384	994,181
Due to fiduciary fund	-	-	-	-	-
Other liabilities	-	-	-	32,866	32,866
Liabilities payable from restricted assets:					
Due to fiduciary fund	6,555,139	7,658,565	7,770,556	8,231,915	7,398,731
Other liabilities	5,458,561	5,633,446	5,785,176	5,881,293	5,966,918
Total liabilities	30,519,243	35,207,241	24,186,916	24,607,110	23,324,756
Deferred inflows of resources					
Unavailable revenue - unrestricted	-	-	12,352,227	13,488,798	13,800,324
Unavailable revenue - restricted	-	-	-	-	-
Total deferrred inflows of resources	-	-	12,352,227	13,488,798	13,800,324
Fund balance					
Nonspendable	234,968	555,088	531,247	545,293	513,774
Committed	46,294,375	48,984,519	49,930,120	60,077,408	58,885,208
Assigned	23,588,446	5,415,881	314,562	7,444,423	30,220,861
Unassigned	23,962,998	22,296,208	28,514,937	28,900,909	16,460,088
Total fund balance	94,080,787	77,251,696	79,290,866	96,968,033	106,079,931
Total liabilities, deferred inflows of resources and fund balances	$124,600,030	$112,458,937	$115,830,009	$135,063,941	$143,205,011

Source: City of Portland audited annual financial statements.

APPENDIX C
LEGAL OPINION

CITY OF PORTLAND, OREGON

1851

July 28, 2016

City of Portland
1120 SW Fifth Avenue, Room 1250
Portland, Oregon 97204

Subject: $28,770,000 City of Portland, Oregon, Tax Anticipation Notes, Series 2016

Ladies and Gentlemen:

We have acted as Note Counsel in connection with the issuance by the City of Portland, Oregon (the "City") of its Tax Anticipation Notes, Series 2016 (Fire and Police Disability and Retirement Fund) (the "Notes"), which are dated as of their date of delivery and are in the aggregate principal amount of $28,770,000. The Notes are issued pursuant to City Ordinance No. 187801 enacted June 8, 2016 (the "Ordinance").

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering materials which has been or may be supplied to the purchasers of the Notes, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Ordinance and in the Notes, and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Notes have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Ordinance, and the City Charter. The Notes constitute valid and legally binding obligations of the City that are enforceable in accordance with their terms.

2. The City has pledged its full faith and credit and taxing power to the punctual payment of interest on and the principal of the Notes as the same become due and payable.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City, and others in connection with the Notes, and we have assumed compliance by the City and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that, for Federal income tax purposes, interest on the Notes not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Notes to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Notes, the City will execute a Tax Certificate (the “Tax Certificate”) containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest paid on the Notes will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Notes, and (ii) compliance by the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Interest on the Notes is exempt from Oregon personal income tax.

Except as stated in paragraphs 3 and 4 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Notes or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Notes.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Notes may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors’ rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is given as of the date hereof and is based on existing law, and we assume no obligation to update, revise, or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms “law” and “laws” do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

We have served as Note Counsel only to the City in connection with the Notes and have not represented any other party in connection with the Notes. This opinion is given solely for the benefit of the City in connection with the Notes and may not be relied on in any manner or for any purpose by any person or entity other than the City, the owners of the Notes, and any person to whom we may send a formal reliance letter, indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

APPENDIX D
CONTINUING DISCLOSURE CERTIFICATE

CITY OF PORTLAND, OREGON
1851

CONTINUING DISCLOSURE CERTIFICATE

$28,770,000
City of Portland, Oregon
Tax Anticipation Notes
Series 2016
(Fire and Police Disability and Retirement Fund)

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Portland, Oregon (the "City") in connection with the issuance of the City's Tax Anticipation Notes, Series 2016 (Fire and Police Disability and Retirement Fund) (the "Notes").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the City for the benefit of the owners of the Notes and to assist the underwriter(s) of the Notes in complying with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended, (the "Rule"). This Certificate constitutes the City's written undertaking for the benefit of the owners of the Notes as required by Section (b)(5) of the Rule.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes, including persons holding Notes through nominees or depositories.

"Commission" means the Securities and Exchange Commission.

"MSRB" means the United States Municipal Securities Rulemaking Board or any successor to its functions.

Section 3. Material Events. The City agrees to provide or cause to be provided to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Notes:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers or their failure to perform;

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(g) Modifications to the rights of security holders, if material;

(h) Bond calls, if material, and tender offers;

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the securities, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph (l), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);

(m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the City, such other event is material with respect to the Notes, but the City does not undertake any commitment to provide such notice of any event except those events listed above.

Section 4. <u>Dissemination Agent</u>. The City may, from time to time, engage or appoint an agent to assist the City in disseminating information hereunder (the "Dissemination Agent"). The City may discharge any Dissemination Agent with or without appointing a successor Dissemination Agent.

Section 5. <u>Termination of Obligations</u>. Pursuant to paragraph (b)(5)(iii) of the Rule, the City's obligation to provide notice of material events, as set forth above, shall terminate if and when the City no longer remains an obligated person with respect to the Notes or upon either the prepayment in full of the Notes or the legal defeasance of the Notes. In addition, and notwithstanding the provisions of Section 8 below, the City may rescind its obligations under this Certificate, in whole or in part, if (i) the City obtains an opinion of nationally recognized bond counsel that those portions of the Rule that required the execution and delivery of this Certificate are invalid, have been repealed, or otherwise do not apply to the Notes, and (ii) the City notifies and provides the MSRB a copy of such legal opinion.

Section 6. Enforceability and Remedies. The City agrees that this Certificate is intended to be for the benefit of registered and beneficial holders of the Notes and shall be enforceable by or on behalf of any such holder; provided that, the right of any certificate holder to challenge the adequacy of the information furnished hereunder shall be limited to an action by or on behalf of holders representing at least twenty-five percent (25%) of the aggregate outstanding principal amount represented by the Notes. Any failure by the City to comply with the provisions of this undertaking shall not be an event of default under the Notes or any other documents executed in relation to the Notes. This Certificate confers no right, on any person or entity other than the City, holders of the Notes, and any Dissemination Agent.

Section 7. Amendment. The City may amend this Certificate without the consent of holders of the Notes under the following conditions:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person or type of business conducted;

(b) This Certificate, as amended, would have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interest of holders of the Notes, as determined either by parties unaffiliated with the City (such as nationally recognized bond counsel), or by approving vote of holders representing at least sixty percent (60%) of the aggregate outstanding principal amount represented by the Notes, as applicable.

The City shall provide to the MSRB notice of any amendment that changes the accounting principles followed by the City in preparation of its annual financial information. The initial annual financial information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change in the type of operating data or financial information being provided.

Section 8. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB.

Section 9. Filing Through EMMA. So long as the MSRB continues to approve the use of the Electronic Municipal Market Access ("EMMA") continuing disclosure service, any information required to be provided to the MSRB under this Certificate may be provided through EMMA. As of the date of this Certificate, the web portal for EMMA is emma.msrb.org.

Section 10. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 28th day of July, 2016.

City of Portland, Oregon

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Eric Johansen, Debt Manager

APPENDIX E
BOOK-ENTRY SYSTEM

CITY OF PORTLAND, OREGON

1851

BOOK-ENTRY SYSTEM

Sample Offering Document Language
Describing DTC and Book-Entry-Only Issuance

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. [Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. [A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

CITY OF PORTLAND, OREGON
1851

CITY OF PORTLAND, OREGON

1851