

# **ANNUAL DISCLOSURE INFORMATION**

**Pertaining to**  
**City of Portland, Oregon**



**\$28,890,000**

**Interstate Corridor**  
**Urban Renewal and Redevelopment Bonds**  
**2011 Series A (Federally Taxable)**  
**Dated August 11, 2011**

**\$17,245,000**

**Interstate Corridor**  
**Urban Renewal and Redevelopment Bonds**  
**2011 Series B (Tax Exempt)**  
**Dated August 11, 2011**

**\$17,155,000**

**Interstate Corridor**  
**Urban Renewal and Redevelopment Refunding Bonds**  
**2015 Series A**  
**Dated March 17, 2015**

**December 31, 2018**

**MATURITY SCHEDULES**

**\$28,890,000\***

**Interstate Corridor  
Urban Renewal and Redevelopment Bonds  
2011 Series A (Federally Taxable)  
Dated August 11, 2011**

<b><u>Due June 15</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>CUSIP No. 736746</u></b>
2019	\$1,875,000	4.974%	XN3
2020	1,965,000	5.174	XP8
2021	<u>2,065,000</u>	5.324	XQ6
	<u>\$5,905,000</u>		

\$11,305,000 6.294% Term Bonds, due June 15, 2026  
CUSIP Number 736746 XR4

**\$17,245,000\***

**Interstate Corridor  
Urban Renewal and Redevelopment Bonds  
2011 Series B (Tax Exempt)  
Dated August 11, 2011**

<b><u>Due June 15</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>CUSIP No. 736746</u></b>
2026	\$1,040,000	4.500%	WZ7
2027	2,940,000	5.000	XA1
2028	3,085,000	4.750	XB9
2029	3,230,000	5.000	XC7
2030	3,390,000	5.000	XD5
2031	<u>3,560,000</u>	5.000	XE3
	<u>\$17,245,000</u>		

\*Original par amount.

**MATURITY SCHEDULES**

(continued)

**\$17,155,000\***

**Interstate Corridor**

**Urban Renewal and Redevelopment Refunding Bonds, 2015 Series A**

**Dated March 17, 2015**

<b><u>Due</u> <u>June 15</u></b>	<b><u>Principal</u> <u>Amount</u></b>	<b><u>Interest</u> <u>Rate</u></b>	<b><u>CUSIP No.</u> <u>736746</u></b>
2019	\$1,555,000	5.000%	YC6
2020	1,630,000	5.000	YD4
2021	1,710,000	5.000	YE2
2022	1,800,000	5.000	YF9
2023	1,890,000	5.000	YG7
2024	1,980,000	5.000	YH5
2025	2,080,000	5.000	YJ1
	<u>\$12,645,000</u>		

\_\_\_\_\_  
\*Original par amount.

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**INTERSTATE CORRIDOR URBAN RENEWAL AREA  
TAX INCREMENT INFORMATION**

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

The table below presents a five-year history of Real Market Value and Assessed Value in the Area. The annual increase in FY 2017-18 Assessed Value for Real Property is largely attributable to the addition of The Peloton, a mixed use development, which added about \$75.4 million of Assessed Value, and Cook Street Apartments, which added \$63.1 million of Assessed Value.

**Table 1  
CITY OF PORTLAND, OREGON  
Interstate Corridor Urban Renewal Area  
HISTORICAL TRENDS IN REAL MARKET AND ASSESSED VALUES  
BY PROPERTY TYPE  
(FY 2014-15 through FY 2018-19)**

Property Type	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Real	\$5,735,571,610	\$6,552,166,000	\$8,091,956,450	\$9,384,831,280	\$10,677,776,280
Personal	154,919,670	165,563,220	170,997,160	185,666,170	191,385,970
Machinery/Equip.	78,749,670	84,636,780	91,317,110	93,195,780	99,227,130
Manufactured	73,910	101,740	103,540	5,430,160	6,032,740
Utility	60,813,136	68,129,183	63,652,922	63,291,672	61,737,870
<b>Total</b>	<b>\$6,030,127,996</b>	<b>\$6,870,596,923</b>	<b>\$8,418,027,182</b>	<b>\$9,732,415,062</b>	<b>\$11,036,159,990</b>
<i>% Change</i>	<i>8.7%</i>	<i>13.9%</i>	<i>22.5%</i>	<i>15.6%</i>	<i>13.4%</i>

**ASSESSED VALUE ("AV")**

Property Type	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19 (1)
Real	\$2,082,725,980	\$2,210,763,670	\$2,334,193,670	\$2,626,952,280	\$2,679,552,610
Personal	151,501,430	162,113,510	167,017,240	171,736,490	177,864,200
Machinery/Equip.	78,467,360	84,214,290	91,316,150	93,155,400	99,227,130
Manufactured	60,270	60,020	67,770	1,810,970	1,883,620
Utility	56,114,100	59,071,700	62,684,000	62,180,007	61,731,900
<b>Total</b>	<b>\$2,368,869,140</b>	<b>\$2,516,223,190</b>	<b>\$2,655,278,830</b>	<b>\$2,955,835,147</b>	<b>\$3,020,259,460</b>
<i>% Change</i>	<i>6.6%</i>	<i>6.2%</i>	<i>5.5%</i>	<i>11.3%</i>	<i>2.2%</i>
Less Frozen Base	\$1,293,389,062	\$1,293,389,062	\$1,293,389,062	\$1,293,389,062	\$1,293,460,097
<b>Incremental AV</b>	<b>\$1,075,480,078</b>	<b>\$1,222,834,128</b>	<b>\$1,361,889,768</b>	<b>\$1,662,446,085</b>	<b>\$1,726,799,363</b>
<i>% Change</i>	<i>15.9%</i>	<i>13.7%</i>	<i>11.4%</i>	<i>22.1%</i>	<i>3.9%</i>

Notes:

- (1) The Interstate Corridor's Urban Renewal Area's FY 2017-18 reported Assessed Value included an overstatement of value for certain properties. These values were subsequently corrected for the FY 2018-19 reports.

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

The table below shows Assessed Value (“AV”) from FY 2009-10 through FY 2018-19. In FY 2012-13, the Real Market Value and Assessed Value increased in part due to a Plan amendment which added acreage to the Area. The Plan amendment increased the Frozen Base to \$1.286 million of Assessed Value beginning in FY 2012-13, which was subsequently adjusted by the Multnomah County assessor to \$1.293 million in FY 2013-14.

**Table 2**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**ASSESSED VALUE GROWTH**

<b>Fiscal Year</b>	<b>Frozen Base</b>	<b>Incremental Assessed Value</b>	<b>Percent Change Incremental Assessed Value</b>	<b>Total Assessed Value</b>	<b>Percent Change Total Assessed Value</b>
2009-10 (1)	\$1,051,408,349	\$603,067,607	16.0%	\$1,654,475,956	6.5%
2010-11	1,051,408,349	667,154,843	10.6%	1,718,563,192	3.9%
2011-12	1,051,408,349	732,982,715	9.9%	1,784,391,064	3.8%
2012-13 (2)	1,285,932,631	833,779,005	13.8%	2,119,711,636	18.8%
2013-14 (3)	1,293,389,062	928,040,273	11.3%	2,221,429,335	4.8%
2014-15	1,293,389,062	1,075,480,078	15.9%	2,368,869,140	6.6%
2015-16	1,293,389,062	1,222,834,128	13.7%	2,516,223,190	6.2%
2016-17	1,293,389,062	1,361,889,768	11.3%	2,655,278,830	5.5%
2017-18	1,293,389,062	1,662,446,085	22.1%	2,955,835,147	11.3%
2018-19 (4)	1,293,460,097	1,726,799,363	3.9%	3,020,259,460	2.2%

Notes:

- (1) Reflects Plan amendment, which was recorded on March 15, 2004 by Multnomah County.
- (2) Assessed value increased in part due to a Plan amendment which added property to the Area.
- (3) Change in Frozen Base is due to adjustment by Multnomah County assessor to include properties omitted from an earlier Plan amendment.
- (4) Change in Frozen Base is due to inclusion of properties identified in a Plan amendment adopted on August 9, 2017.

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

## Property Types and Values

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

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

Property Type	Fiscal Year Ending June 30				
	2014-15	2015-16	2016-17	2017-18	2018-19 (1)
Residential	0.6367	0.5941	0.5379	0.5004	0.4900
Commercial/Local Industrial	0.5654	0.5535	0.4812	0.4466	0.3870
State Industrial	1.0000	1.0000	1.0000	1.0000	1.0000
Multi-Family	0.5506	0.4917	0.3967	0.3297	0.3500
Recreational	0.7962	0.8679	0.7867	0.7572	0.7160
Machinery and Equipment	1.0000	1.0000	1.0000	1.0000	1.0000
Miscellaneous	0.6533	0.6911	0.6409	0.6588	0.7410
Personal Property	1.0000	1.0000	1.0000	1.0000	1.0000

Notes:

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

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

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

**Table 4**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**ASSESSED AND REAL MARKET VALUE BY PROPERTY TYPE**  
**(FY 2018-19)**

<b>Property Class</b>	<b>Assessed Value</b>	<b>Percent of Total</b>	<b>Real Market Value</b>	<b>AV/Real Market Value Ratio</b>
<b>Real Property</b>				
Residential	\$1,445,195,480	47.9%	\$4,661,819,360	31.0%
Commercial/Industrial (County Assessed)	866,796,960	28.7%	4,367,102,060	19.8%
Industrial (State Assessed)	51,087,490	1.7%	55,542,660	92.0%
Multi-Family	316,467,730	10.5%	1,510,469,170	21.0%
Recreational	4,950	0.0%	82,843,030	0.0%
Subtotal	2,679,552,610	88.7%	10,677,776,280	
Personal Property	177,864,200	5.9%	191,385,970	92.9%
Machinery and Equipment	99,227,130	3.3%	99,227,130	100.0%
<b>Manufactured Structures</b>				
Real Property	1,816,750	0.1%	5,848,280	31.1%
Personal Property	66,870	0.0%	184,460	36.3%
Utilities	61,731,900	2.0%	61,737,870	100.0%
<b>Total</b>	<b>\$3,020,259,460</b>	<b>100.0%</b>	<b>\$11,036,159,990</b>	

Source: "Table 7a – TAXABLE ASSESSED VALUE AND REAL MARKET VALUE BY PROPERTY CLASS, Tax Year 2018-19," Interstate Corridor Urban Renewal District, Multnomah County Division of Assessment, Recording and Taxation.



The following table shows the Assessed Value and Real Market Value ratios by ratio category for all property types in the Area. As established by the Oregon Constitution, Assessed Value for existing properties, absent of improvements, may grow at an annual rate of three percent to an upper limit of the Real Market Value.

**Table 5**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**ASSESSED TO REAL MARKET VALUE RATIOS**  
**(FY 2018-19)**

<b>AV/RMV Ratio</b>	<b>Assessed Value</b>	<b>Percent of Total</b>	<b>Cumulative Percent of Total</b>
Under 30%	\$860,291,370	28.5%	28.5%
30 - 39%	984,044,010	32.6%	61.1%
40 - 49%	441,899,320	14.6%	75.7%
50 - 59%	167,238,980	5.5%	81.2%
60 - 69%	66,873,170	2.2%	83.4%
70 - 79%	63,655,700	2.1%	85.6%
80 - 89%	38,411,350	1.3%	86.8%
90 - 99%	4,925,300	0.2%	87.0%
100%	392,920,260	13.0%	100.0%
<b>TOTAL</b>	<b>\$3,020,259,460</b>	<b>100.0%</b>	

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

## Principal Taxpayers

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

**Table 6**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**TOP TEN PROPERTY TAXPAYER ACCOUNTS**

<u>Company Name</u>	<u>Type of Business/Use</u>	<u>2018-19 Assessed Value</u>	<u>Percent of Total Assessed Value</u>
Total Interstate Corridor		\$3,020,259,460	100.0%
Kaiser Foundation Health	Health care	\$83,876,240	2.8%
Widmer Brothers Brewing Co.	Brewery	54,001,240	1.8%
Adidas Village Corporation	Athletic apparel	49,310,910	1.6%
Daimler Trucks North America LLC	Truck manufacturing	44,967,790	1.5%
Hayden Meadows	Retail	38,302,470	1.3%
Fred Meyer Stores Inc.	Retail	35,686,990	1.2%
Spaig North Williams LLC (1)	Multifamily housing	27,384,650	0.9%
BIR Cook Street LLC (1)	Multifamily housing	23,957,590	0.8%
Portland General Electric	Energy	21,589,000	0.7%
Behringer Harvard Tupelo	Multifamily housing	19,886,620	0.7%
		<u>\$398,963,500</u>	<u>13.2%</u>

Notes:

- (1) The Interstate Corridor's Urban Renewal Area's FY 2017-18 reported Assessed Value included an overstatement of value for certain properties. These values were subsequently corrected for the FY 2018-19 reports.

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

## PROPERTY TAX RATES

### Historical Trends in the Consolidated Tax Rate

The Divide the Taxes Revenues are calculated by multiplying the Incremental Assessed Value of the Area by the consolidated billing tax rate, which is the sum of the tax rates of taxing districts that overlap the Area. In July 2013, House Bill 2632 was signed, which generally excludes local option taxes approved after January 1, 2013, from the consolidated billing tax rate for purposes of computing urban renewal division of taxes for standard rate urban renewal plans, including the Area. The following tables show the consolidated billing tax rate for the past five years, and the breakdown of tax rates attributable to each underlying taxing entity for FY 2018-19.

**Table 7**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**CONSOLIDATED TAX RATE (1)**

<b>Fiscal Year</b>	<b>Permanent Rate</b>	<b>FPD&amp;R Levy</b>	<b>Local Option Levies (2)</b>	<b>G.O. Bond Levies</b>	<b>Consolidated Billing Tax Rate</b>
2014-15	\$16.3856	\$2.6671	\$2.0400	\$2.1333	\$23.2260
2015-16	16.3856	2.4990	0.0500	1.9713	20.9059
2016-17	16.3856	2.4859	0.0000	1.9269	20.7984
2017-18 (3)	16.3856	2.6554	0.0000	3.2052	22.2462
2018-19 (4)	16.4056	2.7063	0.0000	3.4674	22.5793

Notes:

- (1) Rate per \$1,000 of Assessed Value.
- (2) In July 2013, House Bill 2632 was signed, which excludes local option taxes approved after January 1, 2013, from the consolidated billing tax rate for purposes of computing urban renewal division of taxes for certain urban renewal plans. As a result of the legislation, certain local option levies, which had been included in the FY 2014-15 consolidated tax billing rates, are not included in the consolidated tax billing rate for later fiscal years.
- (3) Higher consolidated billing tax rate reflects increase in tax rate for Portland Public Schools general obligation bonds issued in 2017.
- (4) Increase in FY 2018-19 permanent rate is due to increase in Multnomah County Library rate to \$1.20 per \$1,000 of Assessed Value.

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

**Table 8**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**CONSOLIDATED TAX RATE: FY 2018-19**

<b>Taxing District</b>	<b>Permanent Tax Rate Per \$1,000 A.V.</b>	<b>Local Option And Other Tax Rates (2) Per \$1,000 A.V.</b>	<b>General Obligation Debt Tax Rate Per \$1,000 A.V.</b>	<b>Total Tax Rate Per \$1,000 A.V.</b>
City of Portland	\$4.5770	\$2.7063	\$0.2937	\$7.5770
Multnomah County	4.3434	n/a	0.0000	4.3434
Multnomah County Library	1.2000	n/a	0.0000	1.2000
Metro	0.0966	n/a	0.2801	0.3767
Port of Portland	0.0701	n/a	0.0000	0.0701
East Multnomah Soil & Conservation	0.0956	n/a	0.0000	0.0956
Subtotal - General Government	10.3827	\$2.7063	0.5738	13.6628
Portland School District	5.2781	n/a	2.4890	7.7671
Portland Community College	0.2828	n/a	0.4046	0.6874
Multnomah Co. Education Svc. Dist.	0.4576	n/a	0.0000	0.4576
East Multnomah Soil & Conservation	0.0044	n/a	0.0000	0.0044
Subtotal - Schools	6.0229	0.0000	2.8936	8.9165
<b>Totals</b>	<b>\$16.4056</b>	<b>\$2.7063</b>	<b>\$3.4674</b>	<b>\$22.5793</b>

Notes:

- (1) Rate shown for the City is for the Fire and Police Disability and Retirement Fund. Does not include impact of urban renewal division of tax rates. Does not include urban renewal special levy. Reflects impacts of House Bill 2632, which generally excludes local option taxes approved after January 1, 2013, from the consolidated billing tax rate for purposes of computing urban renewal division of taxes for certain urban renewal plans, as indicated by "n/a."

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

## OTHER FACTORS AFFECTING DIVIDE THE TAXES REVENUES

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

Divide the Taxes Revenues may be reduced by Measure 5 compression effects. In FY 2018-19, Measure 5's tax rate cap of \$10/\$1,000 of Measure 5 market value was the primary factor in reducing the projected Divide the Taxes property tax collections in the Area from the authorized amount of \$38,989,921 to \$37,233,534, or by about 4.5 percent.

**Table 9**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**PROPERTY TAX LOSSES DUE TO MEASURE 5 COMPRESSION (1)**

<b>Fiscal Year</b>	<b>Divide the Taxes to be Raised</b>	<b>Percent Loss</b>	<b>Divide the Taxes Imposed (2)</b>	<b>Annual % Increase in Divide the Taxes</b>
2009-10	\$12,988,569	5.2%	\$12,307,163	18.5%
2010-11	14,330,886	6.5%	13,395,188	8.8%
2011-12	16,122,614	9.9%	14,532,562	8.5%
2012-13 (3)	18,510,811	11.8%	16,318,215	14.8%
2013-14	22,140,721	13.4%	19,182,025	19.6%
2014-15	24,979,100	9.8%	22,520,074	17.4%
2015-16	25,564,448	5.6%	24,121,728	7.1%
2016-17	28,325,128	4.6%	27,009,707	12.0%
2017-18	36,983,108	4.8%	35,213,331	30.4%
2018-19	38,989,921	4.5%	37,233,534	5.7%

Notes:

- (1) Taxes to be raised are before Measure 5 compression; taxes imposed are after Measure 5 compression. Also includes miscellaneous adjustments by county assessor.
- (2) Before losses due to delinquencies and discounts.
- (3) Reflects impact of Plan amendment, which added acreage and Assessed Value to the Area.

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

## Divide the Taxes Revenue Reductions Due to Delinquencies

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

**Table 10**  
**CITY OF PORTLAND, OREGON**  
**Tax Collection Record for the Last Ten Years (1)**

Fiscal Year	Total Levy (000) (2)	Collected Yr. of Levy (3)	Collected as of 6/30/2018 (3)
2008-09	\$397,822	96.3%	100.0%
2009-10	436,246	96.8%	99.6%
2010-11	445,239	97.1%	99.6%
2011-12	445,044	96.8%	99.4%
2012-13	452,453	97.2%	99.5%
2013-14	467,516	97.3%	99.4%
2014-15	490,540	97.6%	99.3%
2015-16	516,334	97.8%	99.4%
2016-17	551,135	98.0%	99.3%
2017-18	600,155	98.4%	98.4%

Notes:

- (1) Tax collection information is for Multnomah County, which represents approximately 99.6% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.
- (2) Amount is collected for all counties. Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression.
- (3) Collections are calculated as payments received less adjustments for cancellation of taxes and allowed discounts, plus taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy. Discounts currently represent the largest adjustment to the tax levy. Discounts associated with the FY 2017-18 tax levy represented about 2.6% of that year's levy. Discounts effectively reduce the amount of a fiscal year's levy remaining to be collected in future years.

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

## HISTORICAL TAX INCREMENT REVENUES AND DEBT SERVICE

The following table shows historical collections of Interstate Corridor Tax Increment Revenues, which were deposited in the Interstate Corridor Debt Service Fund (the "Tax Increment Fund" as defined in the Master Bond Declaration). Results are reported on a budgetary basis.

**Table 11**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**INTERSTATE CORRIDOR TAX INCREMENT REVENUES**  
**AND ANNUAL DEBT SERVICE**  
**(Budgetary Basis)**

	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>
Tax Increment Revenues					
Net Divide the Taxes Revenues	\$18,518,514	\$21,733,409	\$23,363,289	\$26,081,104	\$33,737,517
Investment earnings/other	59,306	84,761	139,880	204,486	332,568
Total	\$18,577,820	\$21,818,170	\$23,503,169	\$26,285,590	\$34,070,085
Debt Service (Parity Indebtedness)	\$6,274,691	\$6,264,447	\$5,929,281	\$5,924,423	\$5,924,766

Source: City of Portland.

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

**Table 12**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**SUMMARY OF INTERSTATE CORRIDOR PROPERTY VALUE, TAX INCREMENT REVENUE**  
**COLLECTIONS, AND DEBT SERVICE**

Fiscal Year	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Real Market Value</b>	\$5,546,788,504	\$6,030,127,996	\$6,870,596,923	\$8,091,956,450	\$9,732,415,062
<b>Assessed Value:</b>					
Frozen Base	\$1,293,389,062	\$1,293,389,062	\$1,293,389,062	\$1,293,389,062	1,293,460,097
Incremental Assessed Value	928,040,273	1,075,480,078	1,222,834,128	1,361,889,768	1,662,446,085
<b>Total Assessed Value</b>	<b>\$2,221,429,335</b>	<b>\$2,368,869,140</b>	<b>\$2,516,223,190</b>	<b>\$2,655,278,830</b>	<b>\$2,955,906,182</b>
<b>Consolidated Tax Rate</b>	\$23.8575	\$23.2260	\$20.9059	\$20.7984	\$22.2462
<b>Taxes to be Raised</b>	\$22,140,721	\$24,979,100	\$25,564,448	\$28,325,128	\$36,983,108
Less Compression	(2,958,696)	(2,459,026)	(1,442,720)	(1,315,421)	(1,772,164)
<b>Taxes Imposed</b>	19,182,025	22,520,074	24,121,728	27,009,707	35,210,944
Less Delinquencies/ Discounts	(958,664)	(1,100,856)	(1,124,325)	(1,208,078)	(1,808,627)
<b>Net Divide the Taxes Revenues</b>	<b>\$18,223,361</b>	<b>\$21,419,218</b>	<b>\$22,997,403</b>	<b>\$25,801,629</b>	<b>\$33,402,317</b>
<b>Debt Service:</b>					
2004 Bonds	\$2,535,131	\$2,041,166	\$0	\$0	\$0
2011 Bonds	3,739,560	3,738,609	3,740,281	3,737,673	3,738,516
2015 Bonds	0	484,672	2,189,000	2,186,750	2,186,250
<b>Total</b>	<b>\$6,274,691</b>	<b>\$6,264,447</b>	<b>\$5,929,281</b>	<b>\$5,924,423</b>	<b>\$5,924,766</b>
Debt Service Coverage (x)	2.90x	3.42x	3.88x	4.36x	5.64x

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



## OUTSTANDING INDEBTEDNESS

As of the date of this Annual Disclosure document, the City had \$47,100,000 of outstanding long-term debt for the Area.

**Table 13**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**OUTSTANDING LONG-TERM DEBT AS OF DECEMBER 31, 2018**

Issue Name	Dated Date	Maturity Date	Amount Issued	Amount Outstanding
Interstate Corridor Urban Renewal and Redevelopment Bonds, 2011 Series A	8/11/2011	6/15/2026	\$28,890,000	\$17,210,000
Interstate Corridor Urban Renewal and Redevelopment Bonds, 2011 Series B	8/11/2011	6/15/2031	\$17,245,000	\$17,245,000
Interstate Corridor Urban Renewal and Redevelopment Bonds, 2015 Series A	3/17/2015	6/15/2025	\$17,155,000	\$12,645,000
Total			<u>\$63,290,000</u>	<u>\$47,100,000</u>

Source: City of Portland.

As of the date of this Annual Disclosure document, a total \$8,023,221 was outstanding on a \$10,575,000 line of credit established for the Area and \$2,551,779 of additional financing capacity remained on the line through December 30, 2019. The line of credit is secured by the City's full faith and credit and a lien on the Interstate Corridor Tax Increment Revenues that is subordinate to the lien of Parity Indebtedness. Additionally, a total \$100,000 was outstanding on a \$9,045,000 line of credit secured solely by the Interstate Corridor Tax Increment Revenues. The lien on the Interstate Corridor Tax Increment Revenues for this line is subordinate to the lien of Parity Indebtedness but superior to the line secured by the full faith and credit of the City. A total of \$8,945,000 of additional financing capacity remained on that line through December 30, 2019.

## MAXIMUM INDEBTEDNESS

The Maximum Indebtedness amount for the Area is \$335,000,000. The table below shows the estimated Maximum Indebtedness amount remaining after issuance of debt between FY 1999-00 through the date of this Annual Disclosure document.

**Table 14**  
**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Urban Renewal Area**  
**MAXIMUM INDEBTEDNESS, AMOUNTS ISSUED, AND AMOUNTS REMAINING**  
**(as of December 31, 2018)**

Maximum Indebtedness Amount	\$335,000,000
Less: Line of Credit Balance Drawn	(51,476,242)
Long-Term Bonds Issued	(38,581,979)
Taxable Short-Term Debt Issued	<u>(148,105,000)</u>
Remaining Maximum Indebtedness	<u>\$96,836,779</u>

Source: City of Portland.

## **CITY FINANCIAL AND OPERATING INFORMATION**

### **BASIS OF ACCOUNTING**

The governmental fund types are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The economic resources measurement focus and the accrual basis of accounting is used for all proprietary fund and fiduciary fund financial statements. The City's accounting practices conform to Generally Accepted Accounting Principles (GAAP) as interpreted by the Governmental Accounting Standards Board (the "GASB"). The Tax Increment Fund is a governmental fund of the City.

### **FISCAL YEAR**

July 1 to June 30.

### **AUDITS**

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. Moss Adams LLP has performed auditing services for FY 2002-03 through FY 2017-18.

A complete copy of the City's FY 2017-18 audit is available on the EMMA system for municipal securities disclosure established by the MSRB and accessible at <http://emma.msrb.org>. Excerpts of the City's audited financial statements for the Tax Increment Fund on a GAAP basis are found in the Appendix.

### **FINANCIAL REPORTING AND BUDGETING**

#### **Financial Reporting**

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

#### **Budget Process**

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

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

A five-year General Fund financial forecast, which serves as the basis for determining resources available for budgeting, is also provided to the City Council along with budget requests. Major City bureaus generally prepare and submit five-year financial plans and capital improvement plans. The City Budget Office, which was created by the City Council in December 2012, coordinates the budget development process.

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

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

## INSURANCE

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

The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage (included in accrued self-insurance claims in the combined statement of net position). Workers' compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Services Division and independent actuarial studies. Liabilities are based on an estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. The estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For fiscal year ended June 30, 2018, the expected rate of return used was 1.35 percent. For fiscal year ending June 30, 2019, and subsequent years, the expected rate of return used was 1.80 percent and 2.25 percent respectively. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

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

Per ORS 30.272 limitations on liability of public bodies for personal injury to any single claimant for causes of action arising on or after July 1, 2017, and before July 1, 2018, limitations are \$706,000 for single claimant and \$1.412 million for multiple claimants. For causes of action arising on or after July 1, 2018 limits increased to \$727,200 for a single claimant and \$1,454,300 for multiple claimants.

Per ORS 30.273 limitations on liability of public bodies for property damage arising on or after July 1, 2017 and before July 1, 2018, limitations increase to \$115,800 for single claimant and \$579,000 for multiple claimants. For causes of action arising on or after July 1, 2018, limits increased to \$119,300 for single claimants and \$596,400 for multiple claimants.

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

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

	<b>Fiscal Year Ended June 30, 2018</b>	<b>Fiscal Year Ended June 30, 2017</b>
Balance, beginning of fiscal year	\$28,068,818	\$26,796,392
Incurred claims and adjustments	64,839,071	60,331,926
Claim cash payments	(61,186,489)	(59,059,500)
Unpaid claims, end of fiscal year	\$31,721,400	\$28,068,818

## **CYBERSECURITY**

The City, like other large public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City’s information technology systems to misappropriate assets or information or to cause operational disruption and damage. To reduce and mitigate the risk of business operations impact and/or damage from cybersecurity incidents, the City has invested in multiple forms of cybersecurity and operational safeguards, including adopting the National Institute of Standards and Technology Cybersecurity Framework to support, maintain, and prioritize securing critical infrastructure and data systems, manage risk, and improve cybersecurity event detection and remediation. Under the leadership of the City’s Chief Information Security Officer, the City’s Bureau of Technology Services has established a cybersecurity team which is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and which aligns with and supports the cybersecurity risk posture of the City. Additionally, all information security related policies and administrative rules are reviewed annually.

As a recipient and provider of personal and confidential information, the City has been the subject of cybersecurity incidents that have resulted in, or could have resulted in, adverse consequences to the City’s confidential information and technologies and that required a response action to mitigate potential consequences. For example, during 2018, the City was subject to several phishing attacks against our Microsoft-hosted email system which briefly disrupted some email services and exposed several employee e-mail accounts to unauthorized entities or individuals. The scope of impact was limited to a small number of accounts and the attacks were quickly contained and mitigated. The City has no evidence that any City or individual’s confidential information was exfiltrated, but there is a possibility of exfiltration. The City has thoroughly investigated these incidents and where appropriate, will offer the potentially impacted individuals a year of free credit monitoring.

The City’s cybersecurity and operational safeguards are periodically internally tested and assessed by external auditors, however the City cannot assure that these measures will prevent all potential cybersecurity attacks, and accompanying disruptions and costs. To offset some of the potential financial costs and risks associated with a breach, the City’s Risk Management office is exploring options for obtaining a cyber-liability insurance policy.

## **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 ORS Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board (the “PERS Board”). The PERS Board is responsible for setting policies and for providing administrative direction to PERS. Benefits provided through PERS are paid from the Oregon Public Employees’ Retirement Fund (“OPERF”). PERS is a cost-sharing, multiple-employer public employee retirement system.

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

## **Benefit Programs**

Employees hired before January 1, 1996, are known as “Tier 1” participants. The retirement benefits applicable to Tier 1 participants are based on a defined benefit model. Tier 1 has a normal retirement age of 58 and, effective January 1, 2018, an assumed earnings rate guarantee of 7.20 percent. PERS maintains a “Tier One Rate Guarantee Reserve” which is credited with investment earnings in excess of the assumed earnings rate guarantee and used to offset the effects of investment earnings below the assumed earnings rate guarantee. As of June 30, 2018, the balance of this reserve was \$448.8 million. As of June 30, 2018, there were 21,392 active plan members, 127,501 retired plan members or their beneficiaries currently receiving benefits, 8,782 inactive plan members entitled to but not yet receiving benefits, and 3,631 inactive members eligible for the refund value of their accounts only, for a total of 161,306 Tier One members in the Statewide PERS System.

Employees hired on or after January 1, 1996, and before August 29, 2003, are known as “Tier 2” participants. The Tier 2 program also provides a defined benefit but with lower expected costs to employers than under the Tier 1 benefit. There is no assumed earnings rate guarantee and Tier 2 has a higher normal retirement age of 60. As of June 30, 2018, there were 35,136 active plan members, 13,908 retired plan members or their beneficiaries currently receiving benefits, 6,902 inactive plan members entitled to but not yet receiving benefits, and 8,359 inactive members eligible for the refund value of their accounts only, for a total of 64,305 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, 2018, there were 119,469 active plan members, 4,454 retired plan members or their beneficiaries currently receiving benefits, 5,013 inactive plan members entitled to but not yet receiving benefits, and 13,306 inactive plan members not eligible for refund or retirement, for a total of 131,097 OPSRP Pension Program members.

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

## **Apportionment of City Assets and Liabilities**

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

## **Employer Asset Valuation and Liabilities**

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

An employer’s unfunded actuarial liability (“UAL”) is the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing actuarially determined assets available to pay those benefits. At its July 28, 2017, meeting, the PERS Board modified certain methods and assumptions which were to be used for the 2016 and 2017 valuations. The following table shows certain methods and assumptions adopted by the PERS Board, which are the basis for the actuarial valuations.

**Table 15**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Actuarial Assumptions and Methods**

<b>ASSUMPTION/ METHOD</b>	<b>2014 &amp; 2015 VALUATIONS</b>	<b>2016 &amp; 2017 VALUATIONS (1)</b>
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
UAL -Method: T1/T2 Programs	Level Percentage of Payroll over 20 years (fixed)	Unchanged
OPSRP	Level Percentage of Payroll over 16 years (fixed)	Unchanged
Asset Valuation Method:	Market Value (2)	Unchanged
Investment Rate of Return:	7.50%	7.20%
Payroll Growth Rate:	3.50%	Unchanged
Inflation Level:	2.50%	Unchanged
Contribution Rate Stabilization Method:	Contribution rate may increase or decrease by 3% of payroll or by 20% of the previous rate; whichever is greater, when an employer's funded status is between 70% and 130%. At a funded status of 60% or less, or 140% or more, the limitation doubles to 6% of payroll or 40% of the previous rate, whichever is greater. At a funded status between 60% and 70% or 130% and 140%, the limitation increases in increments between 3%-6% of payroll or 20%-40% of the previous rate, whichever is greater.	Unchanged

Notes:

- (1) Assumptions and methods adopted by the PERS Board on July 28, 2017, that apply to actuarial valuations as of December 31, 2016, and December 31, 2017.
- (2) Market value of assets reduced by value of assets in statutory reserves (contingency, capital preservation and rate guarantee reserves).

Source: Oregon Public Employees Retirement System.

Milliman released its 2015 valuation for the Statewide PERS System as of December 31, 2015, (the "2015 System Valuation") on September 27, 2016, its 2016 valuation for the Statewide PERS System as of December 31, 2016 (the "2016 System Valuation") on December 6, 2017, and its 2017 valuation for the Statewide PERS System as of December 31, 2017 (the "2017 System Valuation") on September 28, 2018. These reports include system-wide actuarial valuations for the T1/T2 Pension Programs and OPSRP.

Milliman released the City's individual 2015 valuation report as of December 31, 2015, (the "2015 City Report") on October 11, 2016, its individual 2016 valuation as of December 31, 2016, (the "2016 City Report") on December 7, 2017, and its 2017 valuation as of December 31, 2017, (the "2017 City Report") on October 17, 2018. These valuation reports provide the City's portion of (a) the SLGRP based on the City's proportionate share of the total SLGRP covered payroll as of the valuation date, (b) OPSRP based on the City's proportionate share of total OPSRP covered payroll as of the valuation date, and (c) the RHIA based on the City's proportionate share of the total RHIA covered payroll as of the valuation date.

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

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

<b>STATEWIDE PERS SYSTEM</b>				
<b>Calendar Year</b>	<b>Actuarial</b>	<b>Unfunded</b>		
	<b>Value of Assets (2)</b>	<b>Actuarial Liability</b>	<b>Actuarial Liability</b>	<b>Funded Ratio (%)</b>
2008	\$38,386.1	\$54,259.5	\$15,873.4	70.7
2009	43,238.8	56,810.6	13,571.8	76.1
2010	46,004.4	59,329.5	13,325.1	77.5
2011	43,238.8	61,198.4	17,959.6	76.1
2012 (3)	49,265.9	60,405.2	11,139.3	81.6
2013 (3)	54,090.1	62,593.6	8,503.5	86.4
2014 (4)	55,518.2	73,458.9	17,940.7	75.6
2015	54,365.8	76,196.6	21,830.8	71.3
2016	55,670.2	80,970.3	25,300.1	68.8
2017	61,764.9	84,056.1	22,291.2	73.5

Notes:

- (1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA.
- (2) Does not take into account offsets for deposits made by individual employers from bond proceeds or cash on hand in side accounts
- (3) Reflects 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.
- (4) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See “—Recent Developments Related to PERS” below.

Source: Oregon Public Employees Retirement System.

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

<b>Calendar Year</b>	<b>Actuarial</b>	<b>Unfunded</b>		<b>Funded Ratio (%)</b>
	<b>Value of Assets</b>	<b>Actuarial Liability</b>	<b>Actuarial Liability</b>	
2008	\$1,280.6	\$1,539.9	\$259.2	83.2
2009	1,424.0	1,606.0	182.0	88.7
2010	1,499.8	1,672.5	172.7	89.7
2011	1,459.0	1,724.2	265.3	84.6
2012 (2)	1,624.8	1,744.3	119.5	93.2
2013 (2)	1,762.8	1,804.7	41.9	97.7
2014 (3)	1,844.1	2,210.1	366.0	83.4
2015	1,820.6	2,335.5	514.9	78.0
2016	1,891.4	2,540.2	648.8	74.4
2017	2,171.1	2,776.3	605.2	78.2

Notes:

- (1) Composed of Tier 1/Tier 2 and OPSRP pensions but excluding retiree healthcare subsidies of RHIA. City information is calculated separately for the SLGRP and OPSRP using the City's payroll as a percentage of combined payroll of the respective rate pools. SLGRP values include adjustments made to maintain comparability among employers entering the SLGRP.
- (2) Reflects savings that were anticipated from the 2013 PERS Bills, but will not be realized because most of the 2013 PERS Bills were invalidated. See "—Recent Developments Related to PERS" below.
- (3) Reflects the Oregon Supreme Court decision invalidating most of the 2013 PERS Bills. See "—Recent Developments Related to PERS" below.

Source: Oregon Public Employees Retirement System.



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

**Table 18**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**City Payroll for PERS Members and Unfunded Actuarial Liability**

<b>Calendar Year</b>	<b>Payroll</b>	<b>Unfunded Actuarial Liability</b>	<b>Unfunded Liability to Payroll Ratio</b>
2008	\$289,371,762	\$259,241,423	90%
2009	303,851,551	182,019,126	60%
2010	307,538,429	172,726,579	56%
2011	303,508,135	265,267,189	87%
2012	311,688,601	119,477,128	38%
2013	313,291,592	41,882,231	13%
2014	335,113,826	365,964,877	109%
2015	350,158,915	514,861,639	147%
2016	362,850,562	648,861,639	179%
2017	384,409,335	605,231,941	157%

Source: Oregon Public Employees Retirement System.

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

### **State Investment Policy**

The Oregon State Treasury is the investment officer for the state of Oregon. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (“OIC”) establishes policies for the investment and reinvestment of moneys in PERS investment funds. Policies are established based on the primary investment asset class of each investment manager. The OIC has approved the following asset classes for the OPERF: Short-Term Investing, Fixed Income, Real Estate, Public and Private Equities, and Alternative Investments. In addition, OPERF invests in the Opportunity Portfolio, which may be populated with investment approaches across a wide range of investment opportunities with no limitation as to asset classes or strategies. The target investment portfolio mix at fair market value was revised at the OIC meeting of June 3, 2015, and currently is 37.5 percent public equity, 17.5 percent private equity, 20 percent debt securities, 12.5 percent real estate, and 12.5 percent alternative equity.

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

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

<b>Fiscal Year</b>	<b>Net</b>
<b>Ending June 30</b>	<b>Returns (%)</b>
2009	-22.3
2010	17.0
2011	22.3
2012	1.6
2013	12.7
2014	16.6
2015	4.3
2016	1.2
2017	11.9
2018	9.4

Notes:

(1) Total fund performance, excluding variable account.

Source: Oregon Public Employees Retirement Fund System Comprehensive Annual Financial Report for the fiscal years ended June 30, 2009 through June 30, 2018.

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

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

Periods Ending June 30, 2018	<b>Annualized</b>		
	1-Year	3-Year	5-Year
Total Portfolio, Excluding Variable	9.4%	7.5%	8.6%

Notes:

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

Source: Oregon Public Employees Retirement Fund System Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

## Employer Contribution Rates and Amounts

The PERS Board is required by State statute to determine liabilities of the Statewide PERS System from time to time and to set contributions of participating employers at a level that ensures liabilities of the Statewide PERS System will be funded no more than 40 years after the date on which the determination is made. ORS 238.225 requires participating public employers to pay the amounts the PERS Board determines to be actuarially necessary to fund benefits provided to employees.

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including known and anticipated investment performance of the OPERF.

At the end of each odd-numbered year, actuarial valuations determine the employer contribution rates that are officially set by the PERS Board. All employers participating in PERS are required to make their contribution to PERS based on the employer contribution rates set by the PERS Board. The City's employer contribution rates were derived using a rate stabilization methodology (the "Rate Collar") designed to cap rate increases and reduce large fluctuations in employer contribution rates. Such rate increases are shifted to future biennia. See Table 15 for a summary of the Rate Collar in effect. Because of the Rate Collar, the PERS Board-approved employer contribution rates for some employers, including the City, are currently less than the actuarially required contribution ("ARC").

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

The table below shows the City's current employer contribution rates for the 2017-19 biennium that ends on June 30, 2019. The table also shows the City's employer adopted rates for the 2019-21 biennium that begins on July 1, 2019, as reported in the 2017 System Valuation. The rates reported in the table do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

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

<b>Payrolls Paid</b>	<b>Current Rates</b>	<b>Adopted Rates</b>
	<b>2017-19</b>	<b>2019-21</b>
T1/T2	17.62%	21.86%
OPSRP General Services	10.69%	15.53%
OPSRP Police and Fire	15.46%	20.16%

Notes:

(1) Includes contribution rates to fund RHIA. See "OTHER POST-EMPLOYEE RETIREMENT BENEFITS – PERS Program." For FY 2017-18, one percent of the City's covered payroll for the three pension benefit programs was approximately: \$1,356,707 for T1/T2 Pension Programs; \$2,121,673 for OPSRP general services; and \$577,879 for OPSRP police and fire.

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

Source: Oregon Public Employees Retirement System.

The City's contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of pension-related reserves, further changes to system valuation methodology and assumptions and decisions by the PERS Board, and changes in benefits resulting from legislative modifications. The City cannot predict

whether any legislation or related actions will attempt to further modify the PERS System or whether such attempts would withstand legal challenge.

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

### **City Funding Policy**

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

### **Pension Obligation Bonds**

In addition to their PERS contribution, City bureaus in existence as of November 10, 1999, (the issue date of the bonds) are required to make a contribution to pay debt service on outstanding Limited Tax Pension Obligation Revenue Bonds (the “Pension Obligation Bonds”), which were issued to fund the City's share of the unfunded actuarial liabilities of PERS as of December 31, 1997. The Pension Obligation Bonds were issued in three series: one series of fixed rate bonds in an amount of \$150,848,346 and two series of auction rate securities in an aggregate amount of \$150,000,000. The final maturity of the fixed rate Pension Obligation Bonds is June 1, 2029. Pension Obligation Bonds issued as auction rate securities mature on June 1, 2019. Proceeds of the Pension Obligation Bonds were deposited with PERS. Table 22 below shows the debt service paid by the City on its Pension Obligation Bonds.

### **Total City Pension Contribution**

The following table shows the amount of City contributions paid to PERS for the three pension programs including amounts paid by the City for the employee contribution. Contributions include the payments from the Fire and Police Disability and Retirement Fund for pensions of police and firefighters participating in the T1/T2 Pension Programs and OPSRP. Fire and Police Disability and Retirement Fund contributions are funded from a dedicated Citywide property tax levy. See “—PENSION PLANS: FIRE AND POLICE DISABILITY AND RETIREMENT FUND” below. In FY 2017-18, approximately 68 percent of the total cash contribution was for the employer share and 32 percent was for the employee share. The City made its required contribution for its pension obligation in all years. See “—Employer Contribution Rates and Amounts” above.

**Table 22**  
**CITY OF PORTLAND, OREGON**  
**City Contribution Related to PERS**

<b>Fiscal Year Ending June 30</b>	<b>City's Required Cash Contribution to PERS (1)</b>	<b>Debt Service on Pension Obligation Bonds</b>	<b>Total Cash Contribution for Pension Costs</b>
2009	\$35,326,820	\$16,059,937	\$51,386,757
2010	32,598,608	15,223,638	47,822,246
2011	33,622,080	16,416,215	50,038,295
2012	45,229,731	17,740,796	62,970,527
2013	45,278,556	19,433,725	64,712,281
2014	45,868,558	21,129,361	66,997,919
2015	46,969,145	23,074,692	70,043,837
2016	55,530,023	25,350,317	80,880,340
2017	58,637,409	27,853,142	86,490,551
2018	76,185,383	30,540,190	106,725,574

Notes:

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

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

**Recent Developments Related to PERS**

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

In addition to legislative actions, in 2013 the PERS Board made other adjustments that were estimated by PERS to increase the unfunded actuarial liability of the Statewide PERS System by approximately \$2.5 billion. Several lawsuits were filed challenging the 2013 PERS Bills. On April 30, 2015, the Oregon Supreme Court released its decision in these cases. According to its decision, the Supreme Court invalidated the limits on COLAs insofar as they apply to benefits that members earned before the effective dates of the 2013 PERS Bills and upheld the elimination of the benefit increase for out-of-state retirees.

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

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

### **Overview**

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

The FPDR Plan's authority for vesting and benefit provisions is provided by Chapter 5 of the City Charter. Most amendments require majority approval of the voters in the City. Ten revisions have been passed by the voters since the creation of the plan. The most recent voter revision, comprised of eleven different plan amendments, was passed November 6, 2012. City Council may provide by ordinance any additional benefits that the City is required by law to extend to the members and may also change benefits by ordinance to maintain the FPDR Plan's tax-qualified status. The most recent amendments by the City Council occurred in 2016.

### **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 service-connected, nonservice-connected, and occupational disability benefits for FPDR One, FPDR Two and FPDR Three members. FPDR Plan members do not participate in Social Security and do not receive Social Security benefits for their years of service.

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

**FPDR Two.** Sworn members of the Police and Fire Bureaus subject to the FPDR Plan as constituted after June 30, 1990, and first sworn before January 1, 2007, are included in the FPDR Two tier. Under FPDR Two, retirement benefits are provided upon termination of employment on or after attaining age 55, or on or after attaining age 50 if the member has 25 or more years of service. Members become 100 percent vested after five years of service. Benefits are paid using a formula tied to years of service and the highest one-year base pay the member received during the final three years of employment. The FPDR Board has the authority to grant postretirement benefit increases to FPDR Two members, so long as the increases do not exceed increases awarded to sworn retirees of PERS. Members enrolled in the FPDR Plan and still working prior to July 1, 1990, were required to make an election as to whether they wished to fall under the provisions of the FPDR Plan as constituted prior to July 1, 1990 (now called FPDR One) or become subject to the new FPDR Two provisions after June 30, 1990.

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

## Funding

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

Although the City Charter provides the FPDR Plan with dedicated property tax levy authority, the Oregon state constitution caps each property's general government taxes at \$10 per \$1,000 of Real Market Value. After reaching this point, all levies, including the FPDR levy, are subject to Measure 5 compression to fit within the \$10 limit. For this reason, it is unlikely that FPDR could collect the full \$2.80 per \$1,000 of Real Market Value on each property. In FY 2017-18, the tax loss due to Measure 5 compression was \$7.5 million, or 5.1 percent of the FPDR tax levy.

## Retirement Plan Asset Valuation and Liabilities

The table below shows key assumptions for the most recent valuation of the FPDR Plan. Mortality and other assumptions are regularly reviewed and updated as needed. The discount rate has changed over time to reflect economic conditions. Beginning with the June 30, 2014, valuation, the discount rate is equal to the June 30 value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index each year, in accordance with the requirement of Governmental Accounting Standards Board Statement No. 67 ("GASB 67") that plans use a risk-free discount rate for the portion of the plan's liability that is not prefunded.

**Table 23**  
**CITY OF PORTLAND, OREGON**  
**FPDR Plan -- Actuarial Assumptions and Methods**  
**For the June 30, 2016, Valuation**

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

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

As distinguished from the pension plan for FPDR Three members, assets generally are not accumulated in the current year to pay for benefit payments in future years for the FPDR Plan. The table below shows funding levels for the FPDR Plan over the past ten fiscal years. In accordance with the Charter's provisions, there are no requirements to fund the FPDR Plan using actuarial techniques. The FPDR Plan is funded on a pay-as-you-go basis. Each year's benefits and expenses are paid for with employer contributions derived from dedicated property tax revenue received during that year. Because of the FPDR Plan's pay-as-you-go funding basis, the unfunded actuarial accrued pension liability and net pension liability (the new terminology per GASB 67 implemented by the City effective June 30, 2014), do not reflect the value of dedicated future revenues from the property tax levy. See "—Levy Adequacy" below. As reflected in the City's CAFR for its fiscal year ended June 30, 2018, 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, 2018, and contributed to the City's total net position decrease from FY 2012-13 to FY 2013-14. See table entitled "Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)" on page 338 of the City's CAFR for its fiscal year ended June 30, 2018, which is available on the EMMA website.

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

<b>Fiscal Year</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Liability</b>	<b>Unfunded Actuarial Liability (1)</b>	<b>Funded Ratio (2)</b>
2009 (3)	\$11,571,074	\$2,279,923,000	\$2,268,351,926	0.51%
2010	16,542,896	2,549,479,088	2,532,936,192	0.65%
2011 (3)	25,648,253	2,610,360,794	2,584,712,541	0.98%
2012 (3)	20,287,803	2,674,072,175	2,653,784,372	0.76%

<b>Fiscal Year (3)</b>	<b>Plan Net Position, Ending</b>	<b>Total Pension Liability</b>	<b>Net Pension Liability (2)</b>	<b>Net Position as Percent of Total Liability (2)</b>
2013	\$17,155,015	\$2,517,096,534	\$2,499,941,519	0.68%
2014	20,532,924	2,473,970,866	2,453,437,942	0.83%
2015	21,876,942	2,896,894,767	2,875,017,825	0.76%
2016	17,425,353	3,391,461,315	3,374,035,962	0.51%
2017	14,150,087	3,367,105,729	3,352,955,642	0.42%
2018	17,790,774	3,295,142,974	3,277,352,200	0.54%

Notes:

- (1) Table reflects transition to new accounting classifications as required by the Governmental Accounting Standards Board beginning with the fiscal year ending June 30, 2013.
- (2) Does not include value of future dedicated FPDR property tax collections.
- (3) Amounts are calculated by rolling forward prior actuarial valuations. See Table 25 below for a summary of the June 30, 2014, and June 30, 2016, valuations.

Source: City of Portland audited financial statements.

Overall the total pension liability increased from \$2.47 billion on June 30, 2014, to \$3.67 billion on June 30, 2016, as shown in Table 25 below. Note that these valuations differ from results shown in Table 24 above because they are based on actual results prepared by Milliman and are not roll-forward amounts of prior valuations.



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

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

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

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

**FPDR Fund and Levy Adequacy**

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

**Table 26**  
**CITY OF PORTLAND, OREGON**  
**FPDR Fund--Certified Levies Compared with Maximum Levies Authorized**

<b>FYE June 30</b>	<b>Tax Levy per \$1,000 RMV</b>	<b>Certified Tax Levy (1)</b>	<b>Maximum Levy Authorized (\$2.80/1,000 RMV)</b>	<b>Amount Available to be Certified from Authorized Levy</b>
2009	\$1.23	\$111,152,436	\$253,003,644	\$141,851,208
2010	1.29	114,980,456	249,261,909	134,281,453
2011	1.37	118,526,184	241,849,105	123,322,921
2012	1.41	114,264,711	227,257,618	112,992,907
2013	1.55	123,564,952	223,709,460	100,144,508
2014	1.62	136,383,540	235,325,707	98,942,167
2015	1.48	136,883,230	259,331,341	122,448,111
2016	1.30	133,795,013	287,358,793	153,563,780
2017	1.15	138,900,728	338,199,473	199,298,745
2018	1.13	155,551,693	384,951,394	229,399,701

Notes:

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

Source: City of Portland.

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

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

<b>FYE June 30</b>	<b>Imposed Tax Levy (1)</b>	<b>FPDR One &amp; Two Pension Benefits</b>	<b>FPDR Three OPSRP Contributions</b>	<b>Disability &amp; Funeral Benefits</b>	<b>Total FPDR Benefit Contributions</b>
2009	\$107,869,880	\$85,079,520	\$1,774,991	\$9,241,784	\$96,096,295
2010	111,376,678	89,038,110	2,210,250	9,075,988	100,324,348
2011	114,217,070	90,464,611	2,865,737	7,938,636	101,268,984
2012	108,666,428	94,708,986	4,735,637	7,064,187	106,508,810
2013	115,752,880	99,417,595	5,265,815	6,725,710	111,409,120
2014	123,304,615	103,506,696	5,998,321	7,410,977	116,915,994
2015	126,777,805	103,355,638	6,952,685	6,219,646	116,527,969
2016	126,376,817	107,074,899	8,699,501	6,420,506	122,194,906
2017	132,477,613	113,826,622	9,672,695	6,525,351	130,024,668
2018	148,214,877	119,616,359	13,318,516	6,050,635	138,985,510

Notes:

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

Source: City of Portland.

The FPDR Board assesses the FPDR Plan’s long-term financial condition in part by projecting the future availability of revenues from the dedicated property tax (the “Levy Adequacy Analysis”), which are the source of employer contributions under the Charter. The most recent Levy Adequacy Analysis, completed by an independent actuary in connection with the actuarial valuation of the fund, was as of June 30, 2016. The Levy Adequacy Analysis found that, under a wide range of simulated economic scenarios over the next 20 years, the future FPDR Fund levy would remain under \$2.80 per \$1,000 of Real Market Value, but the levy exceeded the \$2.80 threshold in at least one year in fewer than three percent of modeled scenarios. This represents a decline from approximately four percent of modeled scenarios in the prior analysis as of June 30, 2014. Real Market Values in the City’s tax base have grown by more than enough to offset more expensive plan benefits. The first year in which the percent of scenarios exceeding the levy limit reaches the one percent level is FY 2031-32. Pay-as-you-go costs peak in FY 2036-37 in nominal terms; the peak on an inflation-adjusted basis is in FY 2031-32.

The table below shows projected levy rates and taxes levied at the 50<sup>th</sup> and 5<sup>th</sup> percentiles for FY 2016-17 through FY 2035-36 as included in the 2016 Levy Adequacy Analysis. Note that the actual levy rate per \$1,000 of Real Market Value was \$1.15 for FY 2016-17 and \$1.13 for FY 2017-18.

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

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

Notes:

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

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

The current analysis extends through FY 2035-36 and encompasses all facts, decisions and conditions pertaining to the FPDR Plan known at the time the analysis was completed. Future actuarial measurements may differ significantly from the measurements presented herein due to factors such as changes in economic or demographic assumptions (including changes in Real Market Value); changes related to PERS, performance of investments, and changes in FPDR Plan benefit provisions or applicable law.

**OTHER POST-EMPLOYMENT RETIREMENT BENEFITS (“OPEB”)**

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

**PERS Program**

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA’s assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City’s allocated share of the RHIA program’s assets and liabilities is based on the City’s proportionate share of the program’s pooled covered payroll.

According to the 2017 City Report, the City’s allocated share of the RHIA program’s UAL was (\$4,404,636) as of December 31, 2017.

The City’s current employer contribution rate to fund RHIA benefits during the 2017-19 biennium for T1/T2 employees is 0.50 percent and for OPSRP general services and police and fire employees is 0.43 percent. According to the 2017 City Report, the adopted rate to fund RHIA benefits during the 2019-21 biennium for T1/T2 employees is 0.06 percent and for OPSRP general services and policy and fire employees is 0.00 percent. These employer contribution rates to fund RHIA are included in the rates described in Table 21 above.

### Health Insurance Continuation Option

Distinct from the PERS program, Oregon municipalities, including the City, are required to allow retirees and their dependents to continue to receive health insurance by paying the premiums themselves at a rate that is blended with the rate for current employees until retirees and spouses are eligible for federal Medicare coverage and until children reach the age of 18 (the “Health Insurance Continuation Option” or “HIC”). GASB 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 discount rate of 3.60 percent, 2.2 percent inflation rate, annual healthcare cost trend rates of 4.5 to 7.5 percent, and retirees’ share of benefit-related costs of 26 percent of estimated program costs. 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, 2017 (the date of the most recent actuarial valuation), is estimated to be \$100,197,951. The unfunded actuarial accrued liability as a percentage of covered payroll is 23 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, 2019.

The City’s annual OPEB cost is calculated based on the actuarially-determined service cost, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded liability over a period of 30 years. For FY 2017-18, the changes to the total OPEB liability is calculated as follows:

Balance at 6/30/17	\$104,746,377
Changes for the year:	
Service cost	4,140,465
Interest	3,086,463
Changes of assumptions	(6,825,794)
Benefit payments	(4,949,560)
Net Changes	(4,548,426)
Balance at 6/30/18	\$100,197,951

The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and OPEB obligation, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

### Implementation of Governmental Accounting Standards Board Statement No. 75

As reflected in its CAFR for the fiscal year ended June 30, 2018, the City implemented Governmental Accounting Standards Board Statement No. 75, which changed employer reporting of OPEB for state and local governments. Under this new standard, for the fiscal year ending June 30, 2018, the City has reported in its CAFR the following balances:

	Deferred Outflow/(Inflow) of Resources	Net OPEB Liability/(Asset)	OPEB Expense
RHIA	(\$695,350)	(\$1,476,036)	\$3,580
HIC	(5,876,449)	100,197,951	6,277,583
Total	(\$6,571,799)	\$98,721,915	\$6,281,163

See the City's CAFR for the fiscal year ended June 30, 2018, which is posted on the EMMA website.

## **LITIGATION**

The City discloses only pending or threatened litigation that the City has determined may have a materially adverse impact on the City's or Portland Development Commission's (also known as Prosper Portland) financial position relating to the Area's Tax Increment Revenues; the current level of materiality involves litigation where the damages or performance sought has a reasonable probability of imposing liability of \$5 million or more against the Area's Tax Increment Revenues.

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

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

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## INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2014, 2015, 2016, 2017 and 2018. Copies of these financial statements containing the reports of the independent certified public accountants are available on the City's website at:

<http://www.portlandoregon.gov/bfs/26053>

The following pages in this Appendix are excerpted from the City's Comprehensive Annual Financial Reports of the City for Fiscal Years ending June 30, 2014 through June 30, 2018.

**A CONSENT OF THE INDEPENDENT AUDITOR WAS NOT REQUESTED. THE AUDITOR WAS NOT REQUESTED TO PERFORM AND HAS NOT PERFORMED ANY SERVICE IN CONNECTION WITH THIS DISCLOSURE DOCUMENT AND IS THEREFORE NOT ASSOCIATED WITH THIS DISCLOSURE DOCUMENT.**



**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Debt Service Fund**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**Generally Accepted Accounting Principles Basis**

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<b>Revenues</b>					
Taxes	\$18,518,514	\$21,733,409	\$23,363,289	\$26,081,104	\$33,737,517
Investment earnings	78,615	86,333	167,123	139,804	252,452
Total revenues	<u>18,597,129</u>	<u>21,819,742</u>	<u>23,530,412</u>	<u>26,220,908</u>	<u>33,969,969</u>
<b>Expenditures</b>					
Debt service (current):					
Principal	10,999,158	22,920,000	3,000,000	11,142,000	3,270,000
Interest	3,335,781	3,444,688	2,995,519	2,895,387	2,815,017
Debt issuance costs	7,842	205,188	--	--	--
Total expenditures	<u>14,342,781</u>	<u>26,569,876</u>	<u>5,995,519</u>	<u>14,037,387</u>	<u>6,085,017</u>
Revenues over (under) expenditures	<u>4,254,348</u>	<u>(4,750,134)</u>	<u>17,534,893</u>	<u>12,183,521</u>	<u>27,904,952</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	--	--	--	--	--
Transfers out	(11,500,000)	(11,500,000)	(19,000,000)	(19,000,000)	(25,900,000)
Bonds and notes issued	--	--	--	--	--
Refunding bonds issued	8,017,000	17,155,000	--	8,017,000	--
Bonds and notes premium/(discount)	--	2,533,097	--	--	--
Total other financing sources (uses)	<u>(3,483,000)</u>	<u>8,188,097</u>	<u>(19,000,000)</u>	<u>(10,983,000)</u>	<u>(25,900,000)</u>
Net change in fund balances	771,348	3,437,963	(1,465,107)	1,200,521	2,004,952
<b>Fund balances -- beginning</b>	<u>6,743,827</u>	<u>7,515,175</u>	<u>10,953,138</u>	<u>9,488,031</u>	<u>10,688,552</u>
<b>Fund balances -- ending</b>	<u>\$7,515,175</u>	<u>\$10,953,138</u>	<u>\$9,488,031</u>	<u>\$10,688,552</u>	<u>\$12,693,504</u>

Source: City of Portland audited financial statements.

**CITY OF PORTLAND, OREGON**  
**Interstate Corridor Debt Service Fund**  
**CONSECUTIVE BALANCE SHEETS (1)**  
**As of June 30**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>ASSETS</b>					
Restricted:					
Cash and investments	\$7,263,016	\$10,672,294	\$9,157,317	\$10,339,110	\$12,270,431
Receivables:					0
Property taxes	1,138,619	1,403,250	1,364,659	1,645,056	2,352,160
Accrued interest	16,182	31,806	48,924	48,462	74,978
Total assets	<u>\$8,417,817</u>	<u>\$12,107,350</u>	<u>\$10,570,900</u>	<u>\$12,032,628</u>	<u>\$14,697,569</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>					
Deferred inflow of resources:					
Unavailable revenue - restricted	\$902,642	\$1,154,212	\$1,082,869	\$1,344,076	\$2,004,065
Total deferred inflow of resources	<u>902,642</u>	<u>1,154,212</u>	<u>1,082,869</u>	<u>1,344,076</u>	<u>2,004,065</u>
Fund balances:					
Restricted	<u>7,515,175</u>	<u>10,953,138</u>	<u>9,488,031</u>	<u>10,688,552</u>	<u>12,693,504</u>
Total fund balances	<u>7,515,175</u>	<u>10,953,138</u>	<u>9,488,031</u>	<u>10,688,552</u>	<u>12,693,504</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$8,417,817</u>	<u>\$12,107,350</u>	<u>\$10,570,900</u>	<u>\$12,032,628</u>	<u>\$14,697,569</u>

Source: City of Portland audited financial statements.