

# State of Oregon

## Investor Presentation



**\$140,375,000\***  
**State of Oregon**  
**General Obligation Bonds**  
**2018 Various Series**

May 3, 2018

*\*Preliminary / Subject to change*



OREGON

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# Overview of Proposed Financing

Offering*	<b>\$140,375,000*</b> <b>State of Oregon</b> <b>General Obligation Bonds</b> <b>Aa1/AA+/AA+ (Moody's/S&amp;P/Fitch, all stable)</b>			
Series:	2018 Series A	2018 Series B Sustainability Bonds	2018 Series C	2018 Series D
Par Amount*	\$69,680,000	\$40,250,000	\$21,745,000	\$8,700,000
Tax-Status	Tax-Exempt	Federally Taxable	Tax-Exempt	Tax-Exempt
Maturity Date	May 1	May 1	June 1	June 1
Maturity Range*	2019 – 2043	2019 – 2038	2019 – 2038	2019 – 2038
Interest Payment Dates	May 1 and November 1	May 1 and November 1	June 1 and December 1	June 1 and December 1
First Interest Payment	November 1, 2018	November 1, 2018	December 1, 2018	December 1, 2018
Interest Mode	Fixed Rate Current Interest Bonds			
Security	Direct general obligations of the State of Oregon. The full faith and credit and taxing power of the State of Oregon are pledged to pay the principal of and interest on the 2018 Bonds when due.			
Pricing*	Wednesday, May 9, 2018 (Retail for tax-exempt bonds on Tuesday, May 8)			
Closing*	Tuesday, May 22, 2018			

*\*Preliminary / Subject to change*



# Preliminary Amortization by Series\*

Calendar Year	2018 Series A (May 1)	2018 Series B Sustainability Bonds (May 1)	2018 Series C (June 1)	2018 Series D (June 1)
2019	\$6,695,000	\$1,525,000	\$635,000	\$255,000
2020	6,835,000	1,480,000	690,000	275,000
2021	7,170,000	1,520,000	725,000	290,000
2022	7,535,000	1,565,000	760,000	305,000
2023	7,910,000	1,610,000	800,000	320,000
2024	2,860,000	1,665,000	840,000	335,000
2025	2,995,000	1,720,000	885,000	355,000
2026	1,160,000	1,780,000	925,000	370,000
2027	1,215,000	1,840,000	975,000	390,000
2028	1,280,000	1,905,000	1,020,000	410,000
2029	1,340,000	1,975,000	1,075,000	430,000
2030	1,405,000	2,050,000	1,125,000	450,000
2031	1,480,000	2,130,000	1,180,000	475,000
2032	1,545,000	2,215,000	1,240,000	495,000
2033	1,625,000	2,305,000	1,305,000	520,000
2034	1,710,000	2,400,000	1,370,000	545,000
2035	1,790,000	2,490,000	1,435,000	575,000
2036	1,885,000	2,590,000	1,510,000	605,000
2037	1,975,000	2,690,000	1,585,000	635,000
2038	2,080,000	2,795,000	1,665,000	665,000
2039	1,300,000	--	--	--
2040	1,370,000	--	--	--
2041	1,430,000	--	--	--
2042	1,505,000	--	--	--
2043	1,585,000	--	--	--
<b>Total:*</b>	<b>\$69,680,000</b>	<b>\$40,250,000</b>	<b>\$21,745,000</b>	<b>\$8,700,000</b>

\*Preliminary / Subject to change



# Overview

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## Oregon's economy and the State's fiscal position remain strong

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- Oregon's economy continues to perform better than the national average with a broad-based growth occurring throughout the State
- The State's General Fund and Lottery Forecast remains on track
  - Oregon voters passed Measure 101 in January 2018, keeping intact the health assessments and taxes that fund Oregon's Medicaid Program
  - State reserve funds are expected to end the 2017-2019 biennium at \$1.20 billion, up from \$15.5 million at the end of the 2009-2011 biennium
- Continued prudent debt management within strictly adhered to debt capacity guidelines
  - Most G.O. Bonds are scheduled to be sold in 2019, while the May 2018 sale will provide proceeds for ready-to-go projects
  - The May 2018 GO bond issue will include the state's first series of self-designated taxable "sustainable" bonds that will provide gap funding for affordable housing projects around the state
- While anticipated increases in future employer rates for OPERS pose challenges in the next few years, the Governor and state legislature recently dedicated several one-time revenue streams to help offset at least a portion of these rate increases for local communities
- Office of Economic Analysis releases statements of economic and revenue performance of the State, including historic and projected figures on a quarterly basis as required by Oregon law



# Sustainability Bonds

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- The Oregon Sustainability Act was enacted to:
  - Promote energy efficiency
  - Achieve resilient local economies
  - Provide a diversity of economic opportunities, including affordable housing
- The Taxable 2018 Series B Bonds are designated as **Sustainability Bonds** to fund the State’s Local Innovation and Fast Track Affordable Housing Program (“LIFT”)
  - Under LIFT, the proceeds of the **Sustainability Bonds** will be transferred to the Oregon Housing and Community Services Department (“OHCS”) and the Oregon Housing Stability Council (“Housing Stability Council”) to finance state equity interests in new construction affordable housing projects in historically underserved communities and for households earning at or below 60% of Area Median Income
  - OHCS administers programs that provide financing for affordable multifamily housing and affordable homeownership and is the designated administrator of Federal Low Income Housing Tax Credits (“LIHTC”) allocated annually to the State of Oregon
  - The Housing Stability Council provides expertise in Oregon Housing programs and services to people experiencing poverty



# Sustainability Bonds Designation

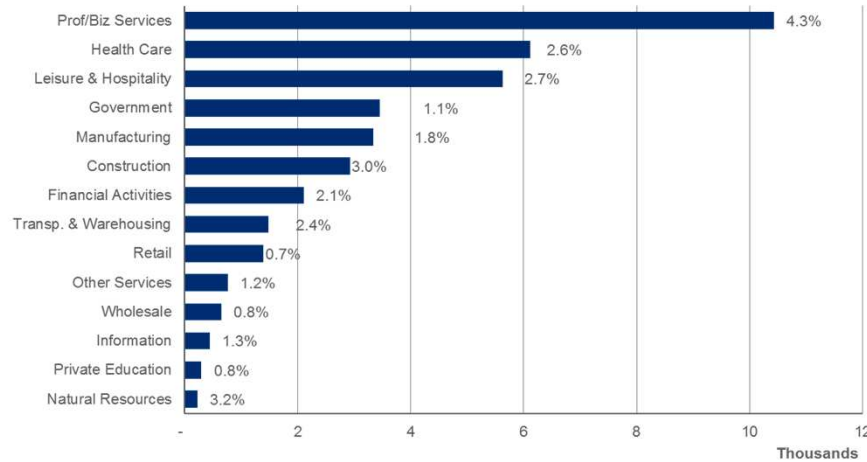
Sustainability Bonds Designation	
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>Finance the State’s equity interest in the State’s 2017 LIFT Projects               <ul style="list-style-type: none"> <li>Provide financing for 500 units of affordable housing statewide to increase supply of new affordable housing in the State in historically underserved communities for households earning at or below 60% of Area Median Income (“AMI”)</li> <li>Targeted populations include families, homeless and formerly homeless, veterans, elderly, children/young adults under Department of Human Services programs, previously incarcerated, and alcohol and drug recovery programs</li> <li>Must be in compliance with the State of Oregon’s Energy Efficiency Specialty Code</li> </ul> </li> </ul>
<b>Project Selection</b>	<ul style="list-style-type: none"> <li>All selected 2017 LIFT Projects will fund new construction projects and will be required to comply with State standards on energy efficiency. Projects will be selected that promote LIFT goals of financing affordable housing units for:               <ul style="list-style-type: none"> <li>Oregonian households with income at or below 60% of AMI</li> <li>Historically underserved communities with focus on communities of color and rural communities with populations of less than 25,000 people</li> <li>Households that receive services from the Oregon Department of Human Services child welfare or self-sufficiency programs</li> <li>Affordable housing developments that result in cost efficient design and expedient timelines for placement of units in service</li> </ul> </li> </ul>
<b>Proceeds Management</b>	<ul style="list-style-type: none"> <li>Proceeds deposited into the LIFT Housing Program Fund held by the State until disbursed to the awarded applicants</li> </ul>
<b>Reporting</b>	<ul style="list-style-type: none"> <li>Annual updates regarding:               <ul style="list-style-type: none"> <li>Funds allocated to each project selected by OHCS and the Housing Stability Council</li> <li>Description of characteristics of each funded 2017 LIFT Project including location, population served, allocation of LIHTC, and new construction OEESC applicability</li> <li>Remaining balance of unallocated net proceeds</li> </ul> </li> <li>Reporting ceases once 2018 Series B Sustainability Bond proceeds have been spent</li> <li>Reporting is not a part of the State’s continuing disclosure undertaking</li> </ul>



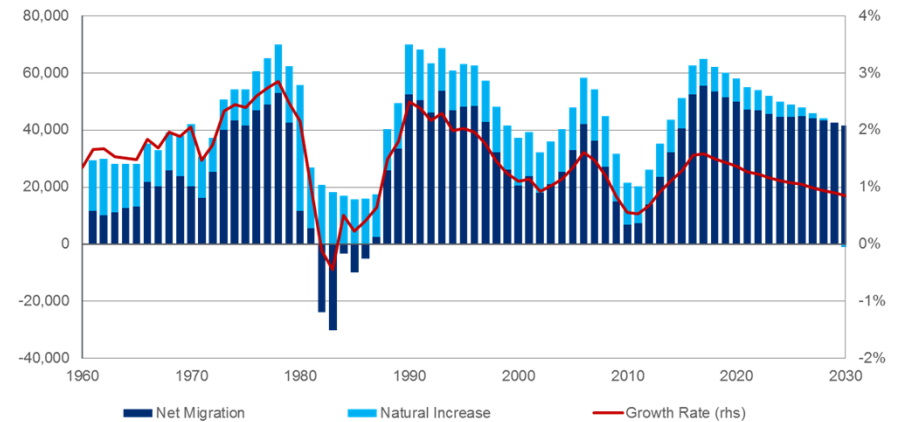
# Oregon Employment and Economic Update

## Oregon's expansion continues

**Oregon 2018 Employment Growth**

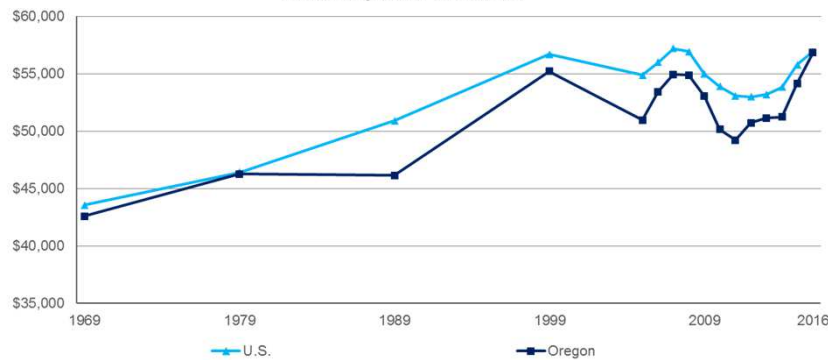


**Oregon Population Growth**



Latest Actual: 2017 | Source: Census, Portland State University, Oregon Office of Economic Analysis

**Median Household Income**  
Inflation-Adjusted, PCE Deflator



Data: 1970, 1980, 1990, 2000 Decennial Census, 2005-2016 American Community Survey; Inflation adjustment uses the Personal Consumption Expenditure (PCE) deflator | Source: BEA, Census, Oregon Office of Economic Analysis <http://www.oregon.gov/das/oea/pages/forecastecorev.aspx>

**Total Nonfarm Employment**  
Year-over-Year Percent Change



Latest Data: Jan. 2018 | Source: BLS, Oregon Employment Department, Oregon Office of Economic Analysis

**Shading indicates a recessionary period**





# Biennial General Fund Revenues and Expenditures

Stable revenue growth has continued over the past few biennia

General Fund Revenues (\$ thousands)				
	2011-2013 <u>Actuals</u>	2013-2015 <u>Actuals</u>	2015-2017 <u>Actuals</u>	2017-2019 <u>Forecast</u>
Taxes				
Personal Income	\$12,118,187	\$13,958,289	\$16,072,259	\$17,174,759
Corporate Excise and Income	883,912	1,116,529	1,210,736	978,174
Other Taxes	437,917	452,897	596,685	566,229
Fines and Fees	266,854	256,354	246,169	270,805
Additional Revenues	272,865	271,320	305,579	389,428
One-time Transfers	<u>176,229</u>	<u>49,581</u>	<u>140,883</u>	<u>111,340</u>
<b>Gross General Fund Revenues</b>	<b>14,155,964</b>	<b>16,104,970</b>	<b>18,572,311</b>	<b>19,490,735</b>
Offsets and Transfers	<u>(12,098)</u>	<u>(74,215)</u>	<u>(49,061)</u>	<u>(66,960)</u>
<b>Net General Fund Revenues</b>	<b>14,143,866</b>	<b>16,030,755</b>	<b>18,523,250</b>	<b>19,423,775</b>
Beginning Balance	0	475,651	528,793	977,872
Interest on Tax Anticipation Notes	(4,294)	(3,327)	(6,014)	(21,472)
Transfers to Rainy Day Fund	<u>0</u>	<u>(136,721)</u>	<u>(158,328)</u>	<u>(179,424)</u>
<b>Available Resources</b>	<b>14,139,572</b>	<b>16,366,358</b>	<b>18,887,700</b>	<b>20,200,751</b>
Appropriations	13,688,614	15,889,470	18,012,040	19,855,894
Reversion	<u>(24,694)</u>	<u>(51,905)</u>	<u>0</u>	<u>0</u>
<b>Projected Expenditures</b>	<b>13,663,920</b>	<b>15,837,565</b>	<b>18,012,040</b>	<b>19,855,894</b>
<b>Ending Balance</b>	<b>475,651</b>	<b>528,793</b>	<b>875,661</b>	<b>344,857</b>

Source: State of Oregon, Chief Financial Office, and Oregon Office of Economic Analysis Revenue Forecasts.

See the Preliminary Official Statement for additional detailed footnotes.



# Oregon's Budgetary Reserves

Reserves are anticipated to continue to increase through the 2017-19 Biennium and beyond

(\$Millions)	2013-15 Biennium	2015-17 Biennium	2017-19 Biennium
<b>Rainy Day Fund</b>			
Beginning Balance	\$61.9	\$211.8	\$376.4
Ending Balance <sup>1</sup>	\$211.8	\$376.4	\$594.5
<b>Education Stability Fund</b>			
Beginning Balance	\$7.6	\$179.4	\$384.2
Ending Balance	\$179.4	\$384.2	\$608.5
<b>Total Reserves</b>	<b>\$391.2</b>	<b>\$760.6</b>	<b>\$1,203.0</b>
<b>% of General Fund Revenues</b>	<b>2.4%</b>	<b>4.1%</b>	<b>6.2%</b>

**Footnotes:**

- 1) Reflects net available amount in the Educational Stability Fund, exclusive of funds held in the Oregon Growth Account that may be illiquid and any subsequent transfers by the Legislative Assembly.
- 2) Projected biennium ending balance from March 2018 Economic and Revenue Forecast.

Source: Oregon Office of Economic Analysis

- 2017-19 Rainy Day Fund (“RDF”) ending balance is expected to be \$594.5 million, a 58% increase from the 2015-17 ending balance
  - Under Oregon Statutes, a portion of the General Fund ending balance and a portion of corporate tax revenues are automatically deposited into the RDF each biennium
- 2017-19 Education Stability Fund (“ESF”) ending balance is expected to be \$608.5 million, increasing by 58% from the 2015-17 ending balance
  - Under the Oregon Constitution, 18% of the net proceeds from the State Lottery are automatically deposited into the ESF each biennium
- Total reserves for 2017-19 Biennium are projected to be 6.2% of the biennial General Fund revenues
- Amounts described above do not include projected General Fund ending balances



# State Budget Update: 2017-19 Biennium

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Results of the 2018 Legislative Session reflect continued budget stability for the current biennium

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- The 2017-19 biennium Legislatively Adopted Budget (“2017-19 LAB”) for combined General Fund and Lottery Funds was \$20.9 billion, with an estimated ending balance of \$300.7 million
- The Legislature met in February and passed certain tax and other budget adjustments
- If all new revenue items were taken into consideration, the combined General Fund and Lottery Funds ending balance would be \$654.9 million
  - Certain revenue adjustments could be challenged in court
- Governor Brown has called a special session beginning on May 21 to consider a proposed tax break for certain sole proprietorships



# Oregon PERS Update: Funding Trends

Oregon's pension funding status, despite recent adjustments in actuarial assumptions, continues to be solid

## Oregon PERS Funding Trends - System-Wide

Pension Funded Status									
Calendar Year (\$ billions)	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarial Liability	\$54.3	\$56.8	\$59.3	\$61.2	\$60.4	\$62.6	\$73.5	\$76.2	\$81.0
<u>Market Value of Assets</u>	<u>43.5</u>	<u>48.7</u>	<u>51.6</u>	<u>50.2</u>	<u>54.8</u>	<u>60.0</u>	<u>61.4</u>	<u>60.0</u>	<u>61.1</u>
UAL	\$10.7	\$8.1	\$7.7	\$11.0	\$5.6	\$2.6	\$12.1	\$16.2	\$19.9
<b>Funded Ratio</b>	<b>80%</b>	<b>86%</b>	<b>87%</b>	<b>82%</b>	<b>91%</b>	<b>96%</b>	<b>84%</b>	<b>79%</b>	<b>75%</b>

## Oregon PERS Funding Trends - State Portion Only

Pension Funded Status									
Calendar Year (\$ billions)	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarial Liability	\$14.0	\$14.8	\$15.1	\$15.7	\$15.7	\$17.0	\$20.0	\$21.1	\$22.2
<u>Market Value of Assets</u>	<u>11.6</u>	<u>13.0</u>	<u>13.5</u>	<u>13.2</u>	<u>14.5</u>	<u>16.2</u>	<u>\$16.9</u>	<u>\$16.6</u>	<u>16.8</u>
UAL	\$2.4	\$1.8	\$1.6	\$2.5	\$1.2	\$0.5	\$3.1	\$4.4	\$5.3
<b>Funded Ratio</b>	<b>83%</b>	<b>88%</b>	<b>90%</b>	<b>84%</b>	<b>93%</b>	<b>97%</b>	<b>85%</b>	<b>79%</b>	<b>76%</b>

*Both system and State's funded ratio also include side accounts*

- OPERS assets are valued on a mark-to-market basis annually; contribution rates are set based on valuation as modified by a rate collar that limits rate increases or decreases in any biennium
- The 2016 actuarial valuation incorporates the most recent reduction in the assumed earnings rate, from 7.5% to 7.2%
- Returns in 2017 outpaced the actuarial assumptions, achieving 15.4%



# Other Post Employment Benefits Update

Oregon continues to make progress in funding its limited State OPEB liabilities

## State's Explicit OPEB Liabilities

	UAL (\$ in Millions)	Funded Ratio	Valuation Date
<b>RHIA (State Share Only)</b>	-\$ 0.4 <sup>(1)</sup>	100.3%	December 31, 2016
<b>RHIPA</b>	\$48.8	28.1%	December 31, 2016

<sup>(1)</sup>State's share only; total PERS RHIA UAL: -\$1.3 million overall

- The State provides limited retiree health care benefits through OPERS and the Public Employees' Benefit Board (PEBB)
- State employees can choose either OPERS or PEBB benefits at the time of retirement for pre-Medicare coverage, with OPERS also providing post-Medicare coverage
  - Retirement Health Insurance Account (RHIA): Monthly subsidy of \$60 provided to Medicare eligible retirees obtaining supplemental insurance through OPERS
  - Retiree Health Insurance Premium Account (RHIPA): Monthly subsidy provided to pre-Medicare-age State retirees obtaining pre-Medicare insurance through OPERS, based on average difference in premium paid through OPERS Program vs. PEBB for active State employees
- PEBB-Sponsored Retiree Health Benefit Program: Though not a contractual obligation, PEBB allows 793 State retirees not in the OPERS insurance plan to purchase health insurance through PEBB at a rate lower than they might otherwise be able to obtain in the open market
  - The State contributes to the PEBB pre-Medicare Program on a pay-as-you-go basis



# Debt Portfolio

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State Treasurer coordinates the issuance of all State of Oregon bonds

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- Governor's budget recommends biennial bonding limits for each State bonding program
- Legislature reviews and authorizes all State bonds and appropriation credits
- General obligation bonding programs are created by voter approved constitutional amendments
- State Treasurer is the central debt manager and issuer of all State bonds and appropriation credits
- Currently \$6.1 billion of State General Obligation bonds outstanding
- \$1.082 billion of General Fund General Obligation Bonds authorized during 2017-19 biennium
  - Vast majority of General Fund-supported GO Bonds and COPs will be sold in latter part of FY 2019
- Majority of GO Bonds' principal is repaid within 10 years
  - 34% of principal retired in 5 years
  - 66% of principal retired in 10 years
  - 81% of principal retired in 15 years



# Conclusion

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- Oregon's broad-based expansion continues throughout the State with employment growth more than sufficient to meet population gains and absorb the workers rejoining the labor market
- Oregon Citizens continue to demonstrate support for the State's fiscal condition with the recent vote on Measure 101
- General Fund revenues continue to be on track and the 2017-19 Biennium is expected to end with a combined General Fund and Lottery Fund ending balance of \$654.9 million, a portion of which is subject to a court challenge
- State's Reserve Funds biennial ending balances are expected to almost double by the end of the 2017-19 Biennium (to over 6% of biennial General Fund revenues and well over 10% of annual General Fund revenues)
- Oregon PERS demonstrated returns in 2017 of 15.4% and recently reduced the assumed rate of return to 7.2%. The System sets contribution rates using the market value of assets as modified by a rate collar that limits rate increases or decreases in any biennium
- The State has strong financial management practices, including a long track record of staying within debt capacity guidelines



# Financing Schedule for G.O. Bonds 2018 Series A-D\*

## Financing Timeline\*

Event	Date (2018)	May 2018
Post POS	May 2 <sup>nd</sup>	S M T W T F S
Post Investor Roadshow	May 3 <sup>rd</sup>	1 2 3 4 5
Tax-Exempt Retail Order Period	May 8 <sup>th</sup>	6 7 8 9 10 11 12
Taxable and Tax-Exempt Pricing**	May 9 <sup>th</sup>	13 14 15 16 17 18 19
Closing	May 22 <sup>nd</sup>	20 21 22 23 24 25 26
		27 28 29 30

### Issuer: State of Oregon

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\*Preliminary / Subject to change

\*\*Oregon Housing and Community Services Department anticipates selling approximately \$92.6 million of Single Family Mortgage Revenue Bonds the week of May 6

