



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting & Treasury Supervisor  
DATE: March 18, 2016  
SUBJECT: Water Utility Revenue Bonds Preliminary Official Statement  
OBJECTIVE: Information Only

---

## **Issue**

The Board and Eugene City Council have approved issuing Water Utility Revenue Bonds for general capital and rehabilitation improvements, as well as refunding certain outstanding Water Utility Revenue Bonds to achieve interest savings. One of the requirements prior to issuing bonds is to prepare and circulate an Official Statement. In advance of rating agency calls the week of March 28, a draft Preliminary Official Statement (POS) has been sent to the rating agencies. The 2016 POS is provided for your information. Pricing of the Series 2016 Bonds is anticipated to occur at the end of April.

## **Background**

At the September 1, 2015 Board meeting, Commissioners approved Resolution No. 1524 requesting City Council action on the issuance and refunding of Water Utility Revenue Bonds. The City Council adopted Resolution No. 5139 at its October 12, 2015 meeting which authorized the sale of bonds not to exceed \$18 million for financing improvements to the Water Utility System and up to \$35 million to refund all, or a portion of, the Series 2002, Series 2005 and Series 2008 Water Utility Bonds. At the March 1, 2016 Board meeting, Commissioners approved Resolution No. 1606 authorizing and approving the issuance, sale and delivery of Water Utility System Revenue and Refunding Bonds. The most recent refunding analysis indicated that EWEB could realize over \$3 million in interest expense savings over the life of the refunded bonds.

## **Recommendation/Requested Board Action**

No action is requested at this time.

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2016**

NEW ISSUE - Book Entry Only

Moody's Rating: "\_\_\_"  
 Standard & Poor's Rating: "\_\_\_"  
 Fitch Rating: "\_\_\_"  
 (See the caption "RATINGS" herein)

*In the opinion of Mersereau Shamon LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by EWEB described herein, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of Oregon under existing law. See "TAX MATTERS" herein regarding certain other tax considerations.*



\$ \_\_\_\_\_ \*

**CITY OF EUGENE, OREGON  
 WATER UTILITY SYSTEM  
 REVENUE AND REFUNDING BONDS  
 SERIES 2016**

Dated: Date of Delivery (estimated \_\_\_\_\_, 2016)

Due: \_\_\_\_\_, as shown below

The City of Eugene, Oregon Water Utility System Revenue and Refunding Bonds, Series 2016 (the "Bonds") will be issued by the City of Eugene, Oregon (the "City"), acting by and through the Eugene Water & Electric Board (the "Board" or "EWEB"), as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of ownership interests in the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of such ownership interests will not receive physical delivery of bond certificates. Principal of and interest on the Bonds are payable directly to DTC by U.S. Bank National Association, Portland, Oregon, as Trustee. Principal is payable on \_\_\_\_\_ of the years set forth below. Interest is payable on \_\_\_\_\_, and semiannually thereafter on \_\_\_\_\_ and \_\_\_\_\_ of each year. Upon receipt, DTC is obligated to remit principal and interest to DTC's participants for subsequent disbursement to the purchasers of ownership interests in the Bonds. See APPENDIX E - "The Depository Trust Company." The Bonds are subject to redemption at the option of EWEB prior to maturity in whole or in part as described herein. See "DESCRIPTION OF THE BONDS - Optional Redemption."

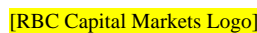
**Amounts, Maturities, Interest Rates and Yields\***

Due August 1	Principal Amount	Interest Rate	Yield	CUSIP No. _____	Due August 1	Principal Amount	Interest Rate	Yield	CUSIP No. _____
-----------------	---------------------	------------------	-------	--------------------	-----------------	---------------------	------------------	-------	--------------------

**The Bonds are special obligations of the City of Eugene, payable solely from the Net Revenues of the City's Water Utility System. The Bonds are not general obligations of the State of Oregon or any political subdivision thereof. Neither the full faith and credit nor the taxing power of the City of Eugene is pledged to the payment of the Bonds. See "SECURITY FOR THE BONDS."**

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

The Bonds are offered when, as and if issued, subject to receipt by the Underwriter of the final approving legal opinion of Mersereau Shannon LLP, Bond Counsel, to EWEB, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, P.C., Seattle, Washington. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York on or about the Date of Delivery.



\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained therein are subject to change, completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**EUGENE WATER & ELECTRIC BOARD**  
**500 East Fourth Avenue**  
**Eugene, OR 97401**

**BOARD OF COMMISSIONERS**

John Simpson  
John Brown  
Dick Helgeson  
James Manning  
Steve Mital

President  
Vice President  
Commissioner  
Commissioner  
Commissioner

**ADMINISTRATIVE STAFF**

Dave Churchman  
Mel Damewood  
Brad Taylor  
Susan Fahey  
Susan Eicher

Interim General Manager/Secretary  
Engineering Manager  
Water Operations Manager  
Financial Services Manager/Treasurer  
Accounting and Treasury Supervisor/Assistant Treasurer

**GENERAL COUNSEL**

Luvaas Cobb Law  
Eugene, Oregon

**SPECIAL COUNSEL**

Cable Huston Benedict Haagensen & Lloyd LLP  
Portland, Oregon

Harrang Long Gary & Rudnick PC  
Portland, Oregon

**BOND COUNSEL**

Mersereau Shannon LLP  
Portland, Oregon

**FINANCIAL ADVISOR**

Piper Jaffray & Co.  
Seattle, Washington

**TRUSTEE**

U.S. Bank National Association  
Portland, Oregon

No dealer, broker, salesperson or other person has been authorized by the City of Eugene or the Eugene Water & Electric Board or the Underwriters to give any information or to make any representations in connection with the offering and sale of the Bonds other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the Eugene Water & Electric Board and the City of Eugene and includes information obtained from sources which the Eugene Water & Electric Board and the City of Eugene believe to be reliable. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Eugene Water & Electric Board or the City of Eugene.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices corresponding to the yields set forth on the cover, and such initial offering prices may be changed, from time to time, by the Underwriters.

In connection with its report on the audited financial statements of EWEB (see Appendix B), Moss Adams LLP has provided the following language for inclusion in this Official Statement: "Moss Adams LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Moss Adams LLP also has not performed any procedures relating to this Official Statement."

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

Information on website addresses set forth in this Official Statement is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information be relied upon in making investment decisions regarding the Bonds.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" "forecast" "projected" or other similar words. These forward-looking statements include, but are not limited to, the information under the captions "*SECURITY FOR THE BONDS – Additional Bonds*," "*SECURITY FOR THE BONDS – Anticipated Future Financings*," "*THE WATER SYSTEM – Forecast for Debt Service and Capital Spending*," and "*ECONOMIC AND DEMOGRAPHIC INFORMATION*" herein.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. EWEB does not plan to issue any updates or revisions to those forward-looking statements if or when changes in its expectations, or events, conditions or circumstances on which such statements are based occur.

The prospective financial information included in this Official Statement has been prepared by, and is the responsibility of, EWEB's management. This prospective financial information was not prepared with a view toward compliance with the guidelines established by the American Institute of Certified Public Accountants for preparation of and presentation of prospective financial information. Moss Adams LLP has neither examined nor compiled the accompanying prospective financial information and, accordingly, Moss Adams LLP does not express an opinion or any other form of assurance with respect thereto. The Moss Adams LLP report included in Appendix B to this Official Statement relates to EWEB's historical financial information. It does not extend to the prospective financial information and should not be read to do so.

*[The remainder of this page intentionally left blank]*

**TABLE OF CONTENTS**

*[To be inserted]*

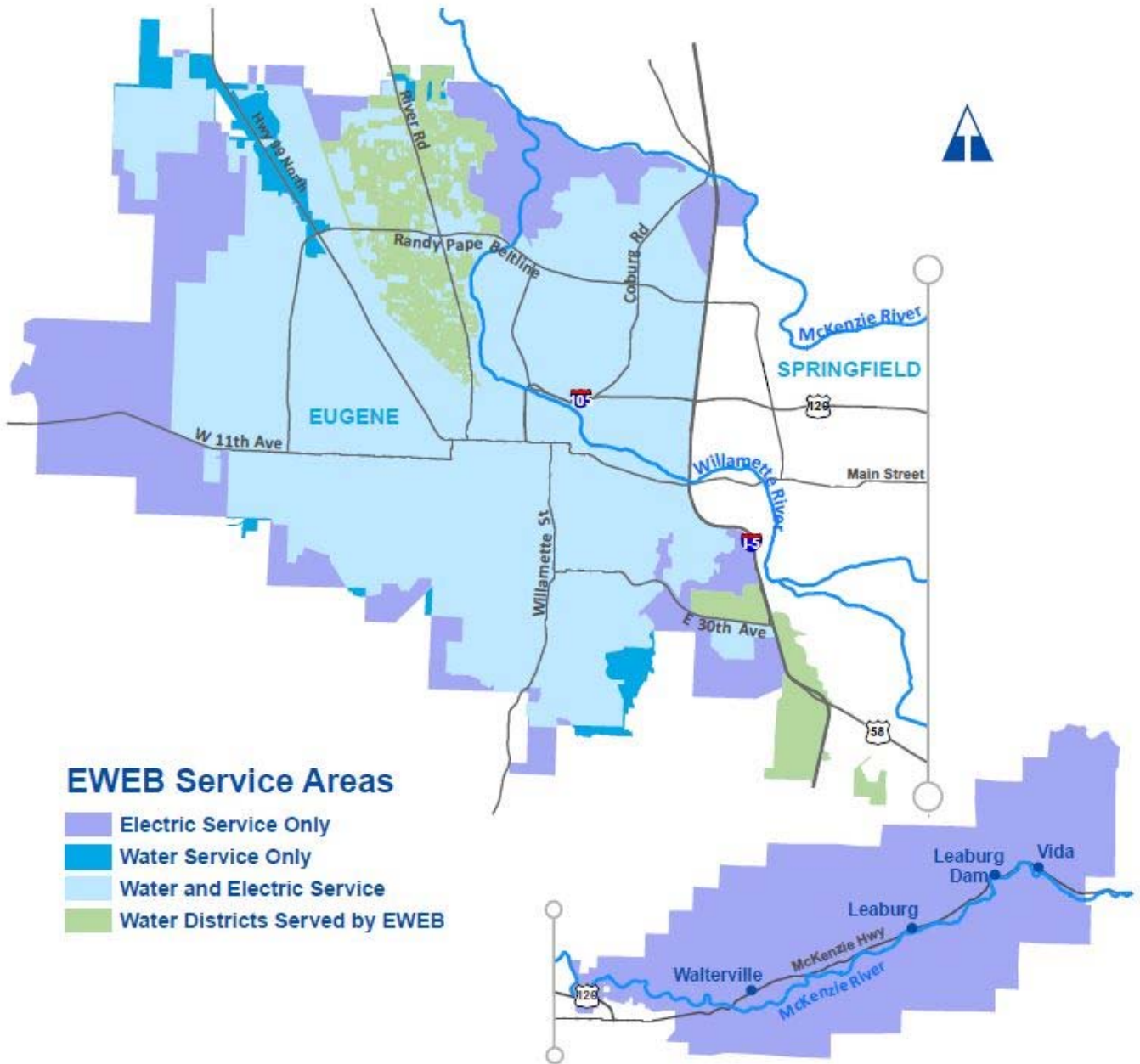
APPENDIX A – FORM OF OPINION OF BOND COUNSEL

APPENDIX B – FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014

APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION

APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E – THE DEPOSITORY TRUST COMPANY



**EWEB Service Areas**

- Electric Service Only
- Water Service Only
- Water and Electric Service
- Water Districts Served by EWEB

## OFFICIAL STATEMENT

\$ \_\_\_\_\_\*

### CITY OF EUGENE, OREGON

### WATER UTILITY SYSTEM REVENUE AND REFUNDING BONDS

### SERIES 2016

#### INTRODUCTION

The Eugene Water & Electric Board (the "Board" or "EWEB"), an agency of the City of Eugene, Oregon (the "City" or "Eugene"), furnishes this Official Statement in connection with the offering of \$ \_\_\_\_\_\* original principal amount of Water Utility System Revenue and Refunding Bonds, Series 2016, dated the Date of Delivery (the "Bonds" or the "Series 2016 Bonds").

This Official Statement, which includes the cover page and appendices hereto, sets forth information concerning the Series 2016 Bonds, the City, EWEB and the Water System, as defined herein.

The Series 2016 Bonds are issued pursuant to the laws of the State of Oregon, the Charter of the City, a Resolution adopted by EWEB on September 2, 1997 (the "Master Resolution"), Resolution No. 1524 adopted by EWEB on September 1, 2015, Resolution No. 5139 of the City Council adopted October 12, 2015, and Supplemental Bond Resolution No. 1606 adopted by EWEB on March 1, 2016 (together with the Master Resolution, the "Resolution"). The Series 2016 Bonds are being issued under the authority of Oregon Revised Statutes ("ORS") Section 287A.150 *et seq.* In accordance with applicable State and local law, notice of the proposed bond issuance was published on October 14, 2015, and the 60-day period for filing of petitions to force an election expired without filings.

The Series 2016 Bonds are being issued (i) to finance the acquisition, design, construction, installation and equipping of certain capital improvements to the water utility system; (ii) to refund all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, (ii) to fund all or a portion of the Reserve Requirement; and (iii) to pay certain costs of issuing the Series 2016 Bonds.

As of \_\_\_\_\_, EWEB has outstanding \$ \_\_\_\_\_ in aggregate principal amount of its Water Utility System Revenue Bonds, which have been issued in four separate series: 2002, 2005, 2008 and 2011 (collectively the "Outstanding Bonds"). The Outstanding Bonds, the Series 2016 Bonds and any Additional Bonds issued hereafter are referred to in this Official Statement as "Water Utility System Revenue Bonds." Proceeds of the Series 2016 Bonds will refund \$ \_\_\_\_\_\* aggregate principal amount of the Outstanding Bonds, so that upon issuance of the Series 2016 Bonds, there will be a total of \$ \_\_\_\_\_\* in aggregate principal of Water Utility System Revenue Bonds outstanding under the Master Resolution.

Certain capitalized words and phrases used in this Official Statement have the meanings as defined in the Resolution, unless the context shall clearly indicate that another meaning is intended. See Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION."

#### DESCRIPTION OF THE BONDS

##### General

The Series 2016 Bonds will be issued in the principal amount shown on the cover of this Official Statement and will be dated the Date of Delivery. The Series 2016 Bonds will bear interest commencing the Date of Delivery and will be payable \_\_\_\_\_, and on each \_\_\_\_\_ and \_\_\_\_\_ thereafter at the rates per annum specified on the cover page of this Official Statement. Interest on the Series 2016 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. The Series 2016 Bonds will mature in the amounts and the years set forth on the cover page of this Official Statement. U.S. Bank National Association, Portland, Oregon (the "Trustee") will act as Trustee, Paying Agent and Registrar for the Series 2016 Bonds.

\* Preliminary, subject to change.

**Optional Redemption**

Series 2016 Bonds maturing in the years \_\_\_\_\_ will not be subject to optional redemption prior to their respective maturities. The Series 2016 Bonds maturing on or after \_\_\_\_\_, are subject to redemption on or after \_\_\_\_\_, at the option of EWEB, in whole or in part at any time, at a price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption.

**Selection of Series 2016 Bonds for Redemption**

Whenever provision is made for redemption of less than all of the Series 2016 Bonds, EWEB shall select the particular Series 2016 Bonds to be redeemed from among those Series 2016 Bonds which are then subject to redemption and to selection by lot for such redemption.

**Mandatory Sinking Fund Redemption**

If not previously redeemed as described above, the Term Bond maturing on \_\_\_\_\_, is subject to mandatory sinking fund redemption, in part and by lot within a maturity as determined by DTC or the Trustee, beginning on \_\_\_\_\_ and on each \_\_\_\_\_ thereafter until maturity in the years and amounts as follows, at a price of one hundred percent (100%) of the principal amount thereof, plus accrued interest to the date of redemption:

Sinking Fund Payment Date (_____)	Principal Amount
_____	_____

\*Stated maturity.]

**Notice of Redemption**

Notice of redemption of any Bond shall be mailed to the registered owner thereof not less than 20 days prior to the redemption date.

If notice of the redemption thereof has been duly given and if moneys for the payment of a Bond (or the applicable principal amount thereof to be redeemed) at the then applicable redemption price, together with accrued interest thereon, are held for the purpose of paying of such Bond, then such Bond (or the principal amount thereof to be redeemed) so called for redemption shall, on the redemption date designated in the redemption notice, become due and payable and interest thereon (or the principal amount thereof to be redeemed) shall cease to accrue.

**Refunding and Defeasance**

The Master Resolution sets forth conditions under which the Series 2016 Bonds may be refunded and/or defeased. See Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION."

**Debt Repayment Record**

EWEB has promptly met all principal and interest payments on its outstanding bonds. EWEB has not defaulted on a payment of principal of or interest on any of its bonds.



**Book Entry System**

The Depository Trust Company, New York, New York (“DTC”), will act as Securities Depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully registered Series 2016 Bonds registered in the name of Cede & Co. Upon issuance of the Series 2016 Bonds, a single bond, registered in the name of Cede & Co., as the nominee of DTC, will be issued for each bond maturity. See Appendix E — “THE DEPOSITORY TRUST COMPANY” for information regarding DTC and its book-entry system.

**SECURITY FOR THE BONDS**

The following summarizes the security for the Series 2016 Bonds. See Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION" for further information.

**Water System Revenues**

The Series 2016 Bonds are payable solely from and secured by a pledge of the Trust Estate on a parity with the Outstanding Bonds. As security for the payment of the principal, interest and premium (if any) on all Outstanding Bonds, the Board has pledged pursuant to the Master Resolution to the Registered Owners of the Bonds all of the Board’s right, title and interest in the following:

- (i) The Net Revenues;
- (ii) The moneys and investments (including investment earnings thereon) on deposit in the Debt Service Account (except the Rebate Account) and the Reserve Account, including without limitation the Board’s right, title and interest in any Reserve Credit Facility (and any moneys drawn or paid thereunder) given with respect to meeting the Reserve Requirement on a particular Series of Bonds;
- (iii) Any Credit Facility other than a Reserve Credit Facility given as security for the payment of any amounts owing on any Bonds (and moneys drawn or paid thereunder); provided that such Credit Facility secures only those Bonds for which it was given; and
- (iv) Such other properties and assets as may be pledged to the payment of Bonds pursuant to any Supplemental Resolution or which may be delivered, pledged, mortgaged or assigned by any person as security for Bonds

(the “Trust Estate”).

The Master Resolution defines Net Revenues as Gross Revenues of the Water System less Operating Expenses. Gross Revenues of the Water System include, with certain exceptions, all fees, charges, and other revenues derived by EWEB from the operation of the Water System, exclusive of any water utility properties hereafter constructed or acquired by EWEB as a separate utility system. Operating Expenses are defined in the Master Resolution to include all expenses incurred for operation, maintenance and repair of the System, with certain exclusions. See “Oregon Public Employees Retirement System” and for complete definitions of these capitalized terms, see Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION.”

**Pledge Effected by the Resolution**

Pursuant to the Resolution, the Series 2016 Bonds are payable on a parity with the Outstanding Bonds and any Additional Bonds hereafter issued and are secured by a pledge of the Net Revenues of the Water System. EWEB has covenanted that it will not issue additional bonds senior to the Outstanding Bonds, the Series 2016 Bonds and any Additional Bonds that may be issued in accordance with the Additional Bonds test set forth in the Master Resolution.

The Water System includes all plants and properties of EWEB used for or pertaining to the supply, purification, filtration, transmission and distribution of water, as well as all additions and improvements to the Water System. Gross Revenues of the Water System include, with certain exceptions, all fees, charges and other revenues derived by EWEB from the operation of the Water System, exclusive of any water utility properties hereafter constructed or acquired by EWEB as a separate utility. See Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION" for further information.

Pursuant to ORS Section 287A.310, the pledge of the Net Revenues made by EWEB is valid and binding from the time of the adoption of the Master Resolution. The Net Revenues so pledged and hereafter received by EWEB are immediately subject to the lien of such pledge without any physical delivery or further act, and the lien of the pledge shall be superior to all other claims and liens whatsoever to the fullest extent permitted by ORS Section 287A.310.

The Series 2016 Bonds do not constitute general obligations of the State of Oregon or any political subdivision thereof, including the City, for the payment of which ad valorem taxes are required to be levied, and are not to be considered as indebtedness within any constitutional, statutory or Charter limitation on the amount of indebtedness which the City may incur. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2016 Bonds.

### **Rate Covenant**

EWEB has covenanted in the Master Resolution for the benefit of the owners of the Bonds that it will charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate Net Revenues in each Fiscal Year at least equal to (a) 1.25 times Annual Debt Service due in that Fiscal Year for any outstanding Bonds, (b) 1.00 times Annual Debt Service due in that Fiscal Year for any Subordinate Obligations (after subtracting Annual Debt Service from Net Revenues due in that Fiscal Year for the outstanding Bonds), and (c) any amounts owed by EWEB to a Credit Provider, if any, pertaining to any outstanding Bonds. If the Net Revenues fail to meet this level, the Master Resolution requires EWEB to, and EWEB has covenanted that it will, promptly increase its rates and fees or reduce expenses to a level so that Net Revenues are projected to meet the required level. Transfers from the Rate Stabilization Account may be used to satisfy the rate covenants above. See Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION."

### **Funds and Accounts**

The Master Resolution provides for certain funds and accounts, established as special funds of the Board: a Construction Fund, a Master Water Bond Fund (the "Bond Fund") (including the Debt Service Account, a Reserve Account and a Subordinate Obligations Account) and a Rebate Account. All Gross Revenues are deposited to the Water Revenue Fund and are applied in accordance with a flow of funds set forth in the Master Resolution. The funds and accounts created by the Master Resolution are held by EWEB; they are not held by an independent trustee.

All Gross Revenues shall be deposited in the Water Revenue Fund, which is held and administered by the Board. The Rate Stabilization Account is created within the Water Revenue Fund. Monies in the Rate Stabilization Account are transferred as determined from time to time by the Board and may be used for any purpose for which the Gross Revenues may be used. The Board may make payments into, or withdrawals from the Rate Stabilization Fund to or from the Water Revenue Fund at their discretion. Typically, the Board makes this determination after the annual audit. As of December 31, 2015, the balance of the Rate Stabilization Account was \$3.6 million. EWEB's financial policies do not require any minimum funding the Rate Stabilization Account.

See Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION."

### **Other Bond Covenants**

The Master Resolution sets forth a flow of funds governing the application of Gross Revenues and sets forth various other covenants for the benefit of the owners of the Water Utility System Revenue Bonds, which are summarized in Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION."

### **Defaults and Remedies**

The Master Resolution contains provisions regarding default and the remedies of bondholders in the event of a default. See Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION."

### **Debt Service Reserve Account**

The Master Resolution requires that there be credited to the Reserve Account in the Bond Fund on the first day of each Fiscal Year an amount at least equal to the aggregate Reserve Requirement for all then-outstanding series of Bonds. Pursuant to the Master Resolution, an insurance policy, surety or other credit enhancement device (a "Reserve Credit Facility") may be deposited into the Reserve Account in lieu of or in addition to cash or Permitted Investments. "Reserve Requirement" means, for any series of Bonds,

the greatest amount of interest required to be paid in any Fiscal Year such series of Bonds will be outstanding as of the date of calculation. The Master Resolution requires that the resolution authorizing the issuance of a series of Additional Bonds shall require a deposit into the Reserve Account of an amount sufficient to make the balance in the Reserve Account at least equal to the Reserve Requirement. This deposit may be made at closing or in not more than five annual installments, with the fifth annual installment due not later than the fifth anniversary of the issuance of such Additional Bonds. Upon issuance of the Series 2016 Bonds, the Reserve Account Requirement will be \$\_\_\_\_\_ \* and will be satisfied as follows:

	<u>Amount</u>	<u>Coverage</u>
Cash and Investments <sup>(1)</sup>	\$2,368,501	Parity
Series 2016 Bond Proceeds	_____	Parity
Total	\$ _____	

\*Preliminary, subject to change.

(1) Market value as of 12/31/15; includes proceeds of previously issued Bonds and EWEB contributions.

[Information regarding surety policies to be added if only a portion of the Series 2002 Bonds and Series 2005 Bonds are planned to be defeased.]

**Additional Bonds**

EWEB may issue Additional Bonds to provide funds for any authorized purpose relating to the Water System upon satisfying certain conditions. These conditions include, among other things, the filing of a certificate demonstrating either a historical or projected ability to meet certain debt service coverage requirements. See Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION.”

**Derivatives**

EWEB may enter into Derivative Products on a parity with the Bonds subject to certain conditions provided in the Master Resolution. See Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION.” EWEB does not currently have any Derivative Products outstanding nor expects to enter into any Derivative Products within the next five years.

**Anticipated Future Financings**

EWEB anticipates issuing \$41.5 million in Additional Bonds to fund an alternative water source in 2018. “THE WATER SYSTEM – Water Supply and Treatment”.

**Subordinate Obligations**

EWEB has no outstanding obligations payable from the Net Revenues on a basis subordinate to the Bonds and has no plans for issuing such obligations.

**Springing Amendments to Master Resolution**

[To be added.]

**DISPOSITION OF BOND PROCEEDS\***

<b>Sources</b>	
Bond Proceeds:	\$
Par Amount	
Premium	
Other Sources of Funds:	
EWEB Cash for DSRF Requirement	
2008 DSRF Contribution	
Total	\$
<b>Uses</b>	
New Money Project Fund	\$
Refunding Escrow Deposits:	
Cash Deposit	
SLGS Purchases	
Debt Service Reserve Fund	
Cost of Issuance and Underwriter’s	
Discount	
Total	\$

\*Preliminary, subject to change.

**THE PROJECTS**

**New Money Project**

The Series 2016 Bonds are being issued (i) to finance the acquisition, design, construction, installation and equipping of certain capital improvements to the Water Utility System; (ii) to refund all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, (ii) to fund a portion of the Reserve Requirement; and (iii) to pay certain costs of issuing the Series 2016 Bonds. See “THE WATER SYSTEM – WATER CAPITAL PLAN.”

**Refunding Plan**

*Series 2002 Bonds.* A portion of the proceeds of the Series 2016 Bonds[, together with other monies,] will be used to provide funds to establish an irrevocable trust escrow pursuant to an escrow deposit agreement (the “Escrow Agreement”) between EWEB and U.S. Bank National Association, as escrow agent thereunder (the “Escrow Agent”), to refund all or a portion of the City of Eugene, Oregon Water System Revenue Bonds, Series 2002 (the “2002 Refunded Bonds,”) as shown in the following table:

**2002 Refunded Bonds\***

Series	Total Amount Outstanding	Refunded Maturities	Amount Refunded	Call Date	Call Price
2002	\$		\$		
Refunded Maturities	Amount Refunded	CUSIP	Refunded Maturities	Amount Refunded	CUSIP

\* Preliminary, subject to change.

Certain proceeds of the Series 2016 Bonds will be deposited in the custody of the Escrow Agent either directly as cash or as certain direct United States Treasury Obligations (referred to herein as “Government Obligations”) purchased with proceeds of the Series 2016 Bonds. The cash deposit and/or maturing principal of Government Obligations and interest thereon will provide for payment of interest accrued and provide funds sufficient to redeem on May 19, 2016, the first optional call date, all of the principal shown in the preceding table.

The cash deposit and/or Government Obligations and interest earned thereon will be irrevocably pledged to and held in trust for the benefit of the owners of the 2002 Refunded Bonds by the Escrow Agent, pursuant to the Escrow Agreement.

**Series 2005 Bonds.** A portion of the proceeds of the Series 2016 Bonds[, together with other monies,] will be used to provide funds to establish an irrevocable trust escrow pursuant to an escrow deposit agreement (the “Escrow Agreement”) between EWEB and U.S. Bank National Association, as escrow agent thereunder (the “Escrow Agent”), to refund all or a portion of the City of Eugene, Oregon Water System Revenue Bonds, Series 2005 (the “2005 Refunded Bonds,”) as shown in the following table:

**2005 Refunded Bonds\***

Series	Total Amount Outstanding	Refunded Maturities	Amount Refunded	Call Date	Call Price
2005	\$		\$		
Refunded Maturities	Amount Refunded	CUSIP	Refunded Maturities	Amount Refunded	CUSIP

\* Preliminary, subject to change.

Certain proceeds of the Series 2016 Bonds will be deposited in the custody of the Escrow Agent either directly as cash or as certain direct United States Treasury Obligations (referred to herein as “Government Obligations”) purchased with proceeds of the Series 2016 Bonds. The cash deposit and/or maturing principal of Government Obligations and interest thereon will provide for payment of interest accrued and provide funds sufficient to redeem on May 19, 2016, the first optional call date, all of the principal shown in the preceding table.

The cash deposit and/or Government Obligations and interest earned thereon will be irrevocably pledged to and held in trust for the benefit of the owners of the 2005 Refunded Bonds by the Escrow Agent, pursuant to the Escrow Agreement.

**Series 2008 Bonds.** A portion of the proceeds of the Series 2016 Bonds[, together with other monies,] will be used to provide funds to establish an irrevocable trust escrow pursuant to an escrow deposit agreement (the “Escrow Agreement”) between EWEB and U.S. Bank National Association, as escrow agent thereunder (the “Escrow Agent”), to refund all or a portion of the City of Eugene, Oregon Water System Revenue Bonds, Series 2008 (the “2008 Refunded Bonds,”) as shown in the following table:

**2008 Refunded Bonds\***

Series	Total Amount Outstanding	Refunded Maturities	Amount Refunded	Call Date	Call Price
2008	\$		\$		
Refunded Maturities	Amount Refunded	CUSIP	Refunded Maturities	Amount Refunded	CUSIP

\* Preliminary, subject to change.

Certain proceeds of the Series 2016 Bonds will be deposited in the custody of the Escrow Agent either directly as cash or as certain direct United States Treasury Obligations (referred to herein as “Government Obligations”) purchased with proceeds of the Series 2016 Bonds. The cash deposit and/or maturing principal of Government Obligations and interest thereon will provide for payment of interest accrued and provide funds sufficient to redeem on August 1, 2018, the first optional call date, all of the principal shown in the preceding table.

The cash deposit and/or Government Obligations and interest earned thereon will be irrevocably pledged to and held in trust for the benefit of the owners of the 2008 Refunded Bonds by the Escrow Agent, pursuant to the Escrow Agreement.

**Verification of Mathematical Computations**

*[to come]*

**ANNUAL DEBT SERVICE REQUIREMENTS <sup>(1)</sup>**

The following table shows debt service on the Outstanding Bonds and the Series 2016 Bonds.

<b>Period Ending</b>	<b>Existing Debt Service</b>	<b>Water System Series 2016</b>			<b>Aggregate Debt Service</b>
		<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>	

(1) Preliminary, subject to change. Totals may not foot due to rounding.

*[Remainder of page intentionally left blank.]*

## THE EUGENE WATER & ELECTRIC BOARD

The City of Eugene, Oregon is a charter city operating under a charter most recently revised in 2002. Oregon law and the charter authorize the City to provide electric and water systems for serving the public within and without the City.

The City commenced utility operations in 1908 with the purchase of a privately owned water system. In 1911, upon completion of the City's first municipal hydroelectric power plant, the City organized the Eugene Water Board to operate the City's electric and water utilities. The name of the Eugene Water Board was changed to the Eugene Water & Electric Board in 1949.

The Electric System served an average of 90,000 customers in 2015, and the Water System served an average of 52,000 customers in 2015. The Electric System and the Water System are operated and accounted for as separate and independent entities. Under the direction of the General Manager and executive staff, EWEB employs approximately 517 personnel for the operation of the Electric System and Water System.

EWEB is an administrative unit of the City and is responsible for operating the City's electric and water utilities. The responsibilities delegated to EWEB pursuant to the City Charter are conducted under the direction of an elected board of five commissioners, one of which is elected at large and the remaining four are elected from districts. The members of the Board of Commissioners are elected for four year terms. The expiration dates of their respective terms of office are as follows:

<u>Member</u>	<u>Office</u>	<u>Expiration Date</u>
John Simpson	President	December 31, 2018
John Brown	Vice President	December 31, 2018
Dick Helgeson	Commissioner	December 31, 2016
James Manning	Commissioner	December 31, 2016
Steve Mital	Commissioner	December 31, 2016

EWEB's General Manager/Secretary reports to the Board and has direct reports, which include twelve managers of the corporate and executive staff (the "Leadership Team"). Information regarding the Interim General Manager/Secretary and certain Leadership Team members follows:

		<u>Years of Utility Experience</u>
Dave Churchman	Interim General Manager/Secretary <sup>(1)</sup>	26
Mel Damewood	Engineering Manager	28
Brad Taylor	Water Operations Manager	15
Susan Fahey	Financial Services Manager/Treasurer	4
Susan Eicher	Accounting and Treasury Supervisor/Assistant Treasurer	12

- (1) In February 2016, the Board of Commissioners appointed Dave Churchman, EWEB's Power Operations Manager, to serve as Interim General Manager after former General Manager Roger Gray resigned in early 2016 after being selected to lead the Northwest Requirements Utilities, a non-profit trade association that represents certain small and midsized utilities served by BPA. For the Interim General Manager position, the Board of Commissioners solicited interest from internal candidates not interested in the permanent position. The Board engaged an executive search firm specializing in the utility industry to perform a nation-wide search for a permanent General Manager and anticipates holding interviews in May 2016.

Dave Churchman joined EWEB in 2009 as the Power Operations Manager and is currently serving as Interim General Manager. In his role as Power Operations Manager, he is responsible for the operation of EWEB's generation, transmission and power portfolio. Mr. Churchman received a Bachelor's Degree in Business, Production & Operations Management from the University of Idaho, and received a Master's of Business Administration from Boise State University. Prior to joining EWEB, Mr. Churchman was employed by Idaho Power and was responsible for oversight of its power and gas operations. He also worked for IdaCorp Energy as the Director of Southwest Trading.



Mel Damewood was appointed as EWEB's Engineering Manager in 2012 responsible for the planning, design, project and construction management of EWEB's Generation, Electric Transmission and Distribution, Electric Substations, and Water Facilities. Prior to becoming the Engineering Manager, Mr. Damewood was EWEB's Water Engineering Manager for 15 years. Mr. Damewood has a Bachelor of Science Degree from Oregon State University and is licensed in Oregon as a Registered Professional Engineer in Civil and Environmental Engineering.

Brad Taylor joined EWEB in 2003 and was appointed Water Operations Manager in 2013. He is responsible for the operation of EWEB Water System's Treatment, Pumping, Control, Transmission, Distribution, Construction and Maintenance functions. Mr. Taylor received a Bachelor's of Science in Environmental Resources Engineering with an emphasis in Water Resources and Water Treatment from Humboldt State University. Prior to joining EWEB, Mr. Taylor was employed as staff Engineer at Brown and Caldwell. Mr. Taylor is currently serving on the Board of Trustees for the Pacific Northwest Section of the American Water Works Association.

Susan Fahey was appointed Treasurer in 2015 after serving as Fiscal Services Supervisor responsible for long-term financial planning, budgets, rates and power risk management. Ms. Fahey received a Bachelor's of Business Administration Degree with an emphasis in Accounting and Finance from Pacific Lutheran University. After twenty years in financial management positions at Eugene Public Schools, Ms. Fahey transitioned from her role as Chief Financial Officer to join EWEB in 2011. She also worked as an internal audit manager in the media/communications industry and a senior accountant for Peat Marwick. She is a Certified Public Accountant.

Susan Eicher was appointed Assistant Treasurer in 2011. Ms. Eicher received a Bachelor of Science Degree in Accounting from University of Oregon and has been associated with EWEB since 2003. After serving as Senior Accountant and Senior Financial Analyst, Ms. Eicher was appointed to the position of General Accounting and Treasury Supervisor in 2011. Prior to joining EWEB, Ms. Eicher was employed as an audit manager for Moss Adams LLP. She is a Certified Public Accountant.

## **EWEB'S UTILITY SERVICES**

EWEB is the primary supplier of water and electric power services to the City and certain neighboring communities. Its stated mission is "to be the outstanding provider of energy and water products that meet customers' needs and benefit the citizens of Eugene." While the Water System and Electric System are operated and accounted for separately, EWEB and its management approach the delivery of services in a unified fashion. EWEB recognizes that the decisions and actions affecting one system can have important effects on the other. Thus, wherever possible, decisions and actions for one system are implemented in a manner that seeks to minimize risks and optimize benefits to the other system. Its five-member Board of Commissioners is elected by the voters of the City of Eugene and retains full control of policies and rate-setting activity for the Water and Electric Systems.

### **Water System**

EWEB delivered water to approximately 52,000 retail customers in 2015 and sold water wholesale to two water districts, one city and one private water company. Water is supplied from the McKenzie River and is treated at the Hayden Bridge Filtration Plant, one of the largest treatment plants in Oregon. The Water System generated \$37,520,987 in revenue in 2015, about 14 percent of EWEB's total retail sales revenue. See "THE WATER SYSTEM."

### **Electric System**

EWEB is the largest municipally owned electric utility in Oregon and in 2015 served approximately 90,000 retail electric customers. In 2015, retail customers used over 2,377 megawatt-hours at an average rate of \$8 per megawatt-hour. Electric service is furnished within the city limits of Eugene and to specified areas outside the city limits. EWEB's service area in and around the City adjoins the City of Springfield's system on the east, the Emerald People's Utility District's system and the Blachly-Lane County Electric Cooperative's system, both on the north and west, and Lane Electric Cooperative's system on the south. EWEB also provides service to International Paper's operation within the Springfield city boundary. The total service area covers 235.6 square miles. EWEB supplies power to its customers through its nine generating facilities, plus purchases from the Bonneville Power Administration ("Bonneville") and other power providers. Electric System operating revenues were \$238,982,634 in 2015.

EWEB owns and operates the Carmen-Smith Hydroelectric Project within the McKenzie River basin. The federal operating

license for the Carmen-Smith Project expired on November 30, 2008. The Board submitted an application to relicense the facility to FERC in 2006 and supplemented the application with a comprehensive settlement agreement, signed by state and federal agencies, Native American tribes and non-governmental organizations in 2008. The Board and other settlement parties are currently crafting revisions to the Settlement Agreement that are expected to be submitted to FERC by mid-2016. FERC's action on EWEB's license application remains pending but it is expected in 2017. Since 2008, EWEB has received, and expects to continue to receive, an annual operating license from FERC until the new license is issued.

## **THE WATER SYSTEM**

### **Administration**

The Water System is operated as an independent system of EWEB. It is managed by the Leadership Team who reports to the General Manager.

### **Service Area**

The Water System provides water service to all areas within Eugene as well as supplies wholesale water to the River Road and Santa Clara water districts outside Eugene. In addition, EWEB has surplus water contracts with the City of Veneta and Willamette Water Company. The two water districts presently serve more than 7,700 customers. During 2015, the Water System sold 8,326,923 kilogallons of water, 745,186 kilogallons of which was sold (9% of total gallons sold) to the water districts. EWEB's current charge for water supplied to the districts is \$2.912 per thousand gallons plus a monthly customer charge. Revenues from sales to retail customers totaled \$34,029,013 or 91% of total water revenues in 2015 and wholesale sales totaled \$2,130,001 or 6% of total water revenues in 2015. Adjacent to the area served by the Water System are the service areas of the Springfield Utility Board and the Rainbow Water District.

### **Water Supply and Treatment**

EWEB's primary water source is the McKenzie River, a major tributary in the lower Willamette basin with its headwaters in the central Cascade Mountains east of Eugene. EWEB holds three water rights permits on the McKenzie River for up to 300.1 cubic feet per second (CFS) or 194 million gallons per day (MGD), granted by the Oregon Water Resources Department (OWRD) for municipal water use in the City of Eugene and vicinity.

The following table shows EWEB's McKenzie River water withdrawal rights, the maximum demand of the Water System and historical minimum river flow. Water certificates have been secured for two of the three permits and have been fully developed and used by the holder, while one permit (Permit S#27441) is not fully developed, but under an approved permit extension with the OWRD. Under existing law, water rights that are fully developed may be perfected (i.e. certificated) and once perfected continue in perpetuity as allowed by Oregon's prior appropriation doctrine (first in time, first in right). EWEB's water rights are greater than the current capacity of the treatment plant and exceed community requirements projected over the next 20 years.

McKenzie River Water Rights:	<u>Cubic Feet Per Second</u>	<u>Million Gal/Day</u>
Certificate # 15180	27.1	17.5
Certificate # 68537	90.0	58.2
Permit S# 27441	183.0	118.3
Total	<u>300.1</u>	<u>194.0</u>
Highest Recorded Maximum Water System Demand <sup>(1)</sup>	121.9	78.8
McKenzie River Historical Minimum Flow <sup>(2)</sup>	1,260	817.0

<sup>(1)</sup> 1998

<sup>(2)</sup> Minimum flow recorded by the U.S. Department of the Interior, Geological Survey Records on November 7, 1930.

EWEB holds a pre-1909 Surface Water Registration Claim (SW-354) on the Willamette River. The water claim was first used from 1887 through 1927. The claim is for 30.9 cfs (approximately 20 mgd). To increase the level of certainty for its authorization to use the Willamette River water, on December 27, 2010, EWEB applied for a surface water permit that reflected the authorization provided by EWEB's existing Surface Water Registration. The permit was issued on February 28, 2013. This permit was issued to maintain the previous total combined maximum authorized rate under all its surface water rights at 300.1 cfs. In March of 2014, EWEB submitted a request to modify the permit to add an upstream point of diversion to SW-354. The modification was granted provided EWEB dedicate a 1.5 cfs portion of SW-354 to the instream right. Based on this transaction, the municipal use portion of SW-354 has been reduced to approximately 29.4 cfs (approximately 19 mgd). EWEB has begun the process to redevelop this source of supply and has planned the Alternative Water Supply ("AWS") project, scheduled to be completed by 2022, to add a minimum of 10 mgd supply from this source. The purpose of this source development is to reduce the vulnerabilities of water supply from a single source of supply. EWEB is working to acquire a site for the new water filtration plant. After the property is secured, design will begin for the Willamette River intake and filtration facilities. EWEB will also be determining a cost-effective plan for operating the new plant. See "SECURITY FOR THE BONDS - Anticipated Future Financings".

EWEB also holds a ground water right for municipal purposes in addition to its surface water rights. The permit authorizes the use of up to 18.49 cfs (12.0 mgd). The permit has not been developed at this time, but will most likely fit into the long term water supply strategy for the utility.

EWEB's Hayden Bridge Plant is located by the McKenzie River approximately six miles from the distribution system, and is a complete filtration and treatment facility with a sustained peak production capacity of 88 MGD. Multiple projects at Hayden Bridge Filtration Plant have recently been completed, including a new chemical feed building, a third sedimentation basin, two new filters, replacement of in-house pumps and piping, and modernization of instrumentation and monitoring equipment. The water quality laboratory is certified by the Environmental Protection Agency. Water quality is monitored on a continuous basis, with spectrographic analyses performed twice annually by outside laboratories. The Hayden Bridge Treatment Plant is surveyed by the Oregon Department of Human Services (DHS) under the jurisdiction of the Environmental Protection Agency.

### **Water Storage and Distribution**

EWEB's water service area, although generally level in the base zone, includes hills in the south side of Eugene with elevations up to 1325 mean sea level feet. 88 percent of EWEB's water demands are located in the base zone and the remainder is located in the south hills. Water is pumped from the Hayden Bridge Filtration Plant to the system through two large (45 and 60 inch) transmission mains. EWEB's distribution system consists of 23 reservoirs with a combined storage capacity of 89 million gallons, 27 pump stations and approximately 800 miles of distribution and transmission main providing service to five primary and three intermediary pressure zones. Distribution mains range in size from 2 to 20 inches in diameter. Transmission mains range in size from 24 to 66 inches in diameter. The average age of the pipe is 42 years; 50% of the pipe is cast iron, 32% is ductile iron as well as some asbestos cement, PVC, steel, and concrete cylinder. The pipe loss rate is approximately 7%.

**Water Quality & Environmental**

EWEB’s water quality meets or exceeds all state and federal drinking water health standards. EWEB has never violated a maximum contaminant level or any other water quality standard established by the U.S. Environmental Protection Agency. EWEB provides customers with water conservation tips, water-efficient landscaping guidance and rebates for high-efficiency toilets and sprinkler timers.

**Emergency Preparedness and Security**

EWEB is currently implementing its 2013 Emergency Water Supply Plan that addresses catastrophic water shortages for EWEB customers. In addition, EWEB has emergency response trailers that can provide water supply to customers, and emergency water system interties with neighboring utilities in order to help supply water in case of shortages and other events. EWEB is also partnering with American Red Cross and other governmental agencies in developing and providing emergency preparedness education.

EWEB is a founding member of the Oregon Water/Wastewater Agency Response Network (ORWARN) that provides mutual aid in case of emergencies from other agencies within Oregon. EWEB also has an Emergency Action Plan that follows the Incident Command Structure (ICS). EWEB conducts vulnerability and risk assessments, invests in mitigation and security countermeasures, and partners with local, state, and federal agencies to coordinate planning and response activities. The Water System’s integrated security system includes access control devices, door and hatch contacts, and alarms, and other physical security measures at its facilities.

**Rates**

EWEB has, by City Charter and Oregon law, exclusive jurisdiction to fix rates for water service. Information regarding covenants of EWEB with respect to water rates is set forth in Appendix C - "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION."

EWEB has maintained rates for water service which have been sufficient to provide funding for all operating costs and expenses, repairs, replacements, debt service and substantial capital additions to the Water System. Management has an ongoing program to analyze and evaluate water sales and rate characteristics to assure that the water rates produce adequate revenues to maintain the Water System. The performance standard for debt service coverage in EWEB’s financial policy is 2.0 to 2.5.

EWEB reviews rates annually through a series of public rate hearings in November and December. Board approved rate changes are effective on bills rendered in February of the following year. Water rate increases for the past six years were as follows:

<b>Year</b>	<b>Increase</b>
2011	7.1%
2012	5.0%
2013	20.0%
2014	5.7%
2015	4.9%
2016	3.6%

EWEB charges tiered water rates for its residential customers and an extra charge for service to higher elevation customers. The tiered rate system charges a premium for usage above 8,000 and 30,000 gallons per month. This is primarily intended to provide an incentive to conserve water beyond that which is usually used for indoor domestic purposes. The elevation charge is to recover the cost of pumping water to customers above the base level. There are three elevation zones, each with a successively higher charge.

In 2012, EWEB completed a comprehensive water rate study. The study was recommended by management in an effort to design rates that reduced revenue volatility, provided adequate funds for operations and capital infrastructure projects, and maintained systems and levels of service. As a result of that study, water rates were restructured to recover more fixed costs in the monthly basic charge, starting in 2013. In that same year, the Board approved a 20% overall rate increase to build reserves and strengthen the financial position of the utility. The following year the Board approved a rate increase that included 3% specifically to begin to accumulate reserves to fund the AWS project. To avoid substantial rate increases when AWS construction begins, the Board also adopted a rate smoothing strategy over the ten-year financial plan. See “SECURITY FOR

THE BONDS - Anticipated Future Financings” and “THE WATER SYSTEM – Water Supply and Treatment”.

Currently, the residential rate for a five-eighths inch meter (the most common meter size) is \$20.37 per month for the basic charge, \$1.601 per thousand gallons for the first 8,000 gallons, \$2.703 per thousand gallons for the next 22,000 gallons, and \$4.378 per thousand gallons for usage over 30,000 gallons in a month. The volumetric elevation charges are \$0.244 per thousand gallons at Pumping Level 1 (above 800’), \$0.488 at Level 2 (975’), and \$0.722 at Level 3 (above 1,150’). The monthly fixed elevation charges are \$3.00 at Level 1, \$5.00 at Level 2, and \$7.00 at Level 3. EWEB offers a number of programs to help income-eligible customers who are having trouble paying their utility bills.

The table below illustrates how certain EWEB’s water rates compare to other regional water suppliers. Other utility estimates are from a September 2015 rate survey performed by EWEB staff.

**EWEB Annual Retail Bill Comparison as of September 2015 <sup>(1)</sup>**

	<b>Residential (9,000 Gallons/Month)</b>	<b>Medium General (102,100 Gallons/Month)</b>	<b>Large General (1,705,800 Gallons/Month)</b>
City of Vancouver (Washington)	\$333	\$6,405	\$20,092
Springfield Utility Board (Oregon)	\$393	\$7,352	\$22,796
<b>EWEB<sup>(2)</sup></b>	<b>\$417</b>	<b>\$8,650</b>	<b>\$26,898</b>
City of Salem (Oregon)	\$448	\$8,688	\$27,529
City of Corvallis (Oregon)	\$450	\$5,085	\$15,306
Tacoma Water (Washington)	\$484	\$7,963	\$24,112
City of Everett (Washington)	\$547	\$9,073	\$24,449
Tualatin Valley Water District (Oregon)	\$641	\$20,459	\$65,431
Portland Water Bureau (Oregon)	\$712	\$16,135	\$51,152
Seattle Public Utilities (Washington)	\$926	\$22,250	\$70,599
City of Bellevue (Washington)	\$931	\$20,848	\$65,451

(1) Listed in ascending order of Residential rates.

(2) Does not include elevation charges.

(3) The rate study was performed using comparable utilities’ rate information published on the utilities’ website or other public documents. Of the eleven utilities listed, eight use a tiered rate structure. For the purpose of this analysis, utilities using cubic feet or centum cubic feet were converted to gallons. A weighted average rate was used for utilities with different winter and summer rates.

Source: EWEB staff rate surveys.

EWEB has established a system development charge (a “System Development Charge” or “SDC”) for new hook-ups. Under Oregon law, the SDC revenues must be used for capital improvements, which may include debt service on bonds that finance capital improvements.

**Customer Sales and Revenues**

The following table shows the average number of retail customers, sales in gallons, revenues from customer sales, and system peak daily demands experienced by the Water System during the period 2011-2015.

<b>Year</b>	<b>Average Number of Customers</b>	<b>Sales in Gallons (000's)</b>	<b>Customer Revenue</b>	<b>Peak Daily Demand Gallons (000's)</b>
2011	50,979	7,500,000	\$23,658,416	51,400
2012	51,156	7,800,000	\$25,438,052	49,200
2013	51,321	8,000,000	\$31,648,684	49,100
2014	51,535	8,200,000	\$33,927,093	48,000
2015	51,844	8,300,000	\$36,215,878	52,000

The following table sets forth certain operating statistics for each of the periods shown. Water usage varies greatly depending on weather and other conditions:

	2011	2012	2013	2014	2015
<b>Sales Revenue</b>					
Residential	\$12,906,833	\$13,924,614	\$17,628,387	\$18,709,892	\$20,149,706
General Service	9,299,443	9,950,570	12,081,611	12,958,025	13,879,307
Wholesale	1,367,587	1,504,844	1,893,850	2,213,221	2,130,001
Electric System	84,553	58,024	44,836	45,955	56,864
Miscellaneous Revenue	<u>703,009</u>	<u>782,540</u>	<u>934,988</u>	<u>1,139,338</u>	<u>1,305,109</u>
<b>Total Sales Revenue</b>	\$24,361,425	\$26,220,592	\$32,583,672	\$35,066,431	\$37,520,987
<b>Sales (000 Gallons)</b>					
Residential	3,683,624	3,812,810	3,931,804	3,972,179	4,042,152
General Service	3,152,466	3,252,751	3,312,442	3,389,035	3,528,460
Wholesale	680,899	692,631	768,580	867,226	745,186
Electric System	<u>30,522</u>	<u>16,159</u>	<u>8,198</u>	<u>7,445</u>	<u>11,125</u>
<b>Total Sales (000 Gallons)</b>	7,547,511	7,774,351	8,021,024	8,235,885	8,326,923

EWEB makes every reasonable and cost-effective attempt to secure payment of all accounts receivable. In accordance with bond covenants, products and services are not provided free of charge. Bills are issued based upon actual use of products and services, except that billings are estimated when EWEB service meters are inaccessible, or other considerations necessitate issuing estimated billings. Water customers are billed monthly, along with charges for electric and other services. Payments from customers are applied pro-rata to outstanding balances for all charges. A late payment fee of \$20 is assessed if payment is not received by the "due upon receipt" date on the customer bill. Service can be disconnected for non-payment and is subject to additional connect-disconnect fees. EWEB's five year average write off rate as a percent of revenue for 2015 was 0.0014%.

### **Largest Customers**

EWEB's five largest retail customers, including the City of Eugene, accounted for approximately 15% of the gallons of water sold and 11% of revenues of the Water System in 2015.

The following table shows the respective revenues and gallons for the five largest customers of EWEB during 2015.

	Revenues	Revenues (%)	Gallons (000's)	Gallons (%)
Santa Clara Water District	\$1,117,497	3.0%	384,996	4.6%
University of Oregon	\$960,666	2.6%	297,996	3.6%
River Road Water District	\$929,451	2.5%	302,500	3.6%
City of Eugene	\$692,529	1.8%	190,468	2.3%
School District 4J	\$320,963	0.9%	87,891	1.1%
	\$4,021,106	10.7%	1,263,851	15.2%
All Others	\$33,499,881	89.3%	7,063,072	84.8%
Total <sup>(1)</sup>	\$37,520,987	100.0%	8,326,923	100.0%

<sup>(1)</sup> Percent totals may not foot due to rounding.

**Historical Water System Operating Results**

The following table summarizes the operations of the Water System during the period 2011 through 2015.

	2011	2012	2013	2014	2015 <sup>(4)</sup>
Average number of customers	51,788	51,998	52,190	52,430	51,844
Water sold (1,000 gallons)	7,547,511	7,774,351	8,021,024	8,235,885	8,326,923
Operating ratio <sup>(1)</sup>	62.3	59.9	51.3	45.7	41.5
Average retail rate increases	7.1%	5.0%	20.0%	5.7%	4.9%
Average annual consumption per residential customer (1,000 gallons)	95	82	84	85	87
Average annual residential revenue per customer	\$282	\$299	\$378	\$399	\$434
Average residential revenue per 1,000 gallons (\$ in 000)	\$3.13	\$3.27	\$4.48	\$4.71	\$4.98
Revenues <sup>(2)</sup> (\$ in 000)	\$24,751	\$26,734	\$33,500	\$35,883	\$37,728
Expenses <sup>(3)</sup> (\$ in 000)	\$15,448	\$15,959	\$18,160	\$17,504	\$16,750
Net revenues available for Debt Service (\$ in 000)	\$9,303	\$10,775	\$15,340	\$18,379	\$20,978
Debt Service (\$ in 000)	\$2,814	\$3,585	\$3,528	\$3,932	\$3,928
Revenues available for all other purposes (\$ in 000)	\$6,489	\$7,190	\$11,812	\$14,447	\$17,050
Debt Service Coverage	3.3	3.01	4.35	4.67	5.34

- (1) Operating ratio is calculated by dividing operating expenses, exclusive of depreciation, by operating revenues.  
(2) Includes Other Revenue and Interest Earnings on investments.  
(3) Includes Other Revenue Deductions and excludes Depreciation.  
(4) Preliminary, subject to change; final numbers will be available in June 2016.

**Forecast for Debt Service and Capital Spending**

Customer accounts and revenues are expected to continue a historical pattern of modest growth in the next five years. As a result of expected stable revenue growth and annual rate increases, debt service coverage is projected to exceed 2.41 through the balance of the five-year forecast period not including savings realized from the 2016 advance refundings. Since 2013, rate increases allowed cash reserves to be funded at levels in excess of Board targets.

The Water System expects substantial levels of capital spending over much of the next five years (2016-2020), as it begins construction on the Alternative Water Supply (“AWS”) project. The expenditures outside of AWS are expected to be funded primarily from rate revenue, customer contributions, System Development Charge revenues and proceeds of Additional Bonds applied to qualifying projects in those years. Funding for AWS will come in part from the Board designated reserves, with substantial funding also coming from proceeds of additional bonds. See “SECURITY FOR THE BONDS - Anticipated Future Financings” and “THE WATER SYSTEM – Water Supply and Treatment”.

**Water Capital Plan  
2016 to 2018  
(\$000)**

<u>Capital Program Projections</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Water Infrastructure	\$11,599	\$13,172	\$13,289
Information Technology	1,099	647	913
Facilities and Fleet	544	717	769
Alternative Water Supply	515	512	5,557
Total Expenditures	\$ 13,757	\$ 15,048	\$ 20,528
Water Rates/Cash Reserves	\$10,108	\$7,485	\$11,349
Customer Contributions	1,100	1,100	1,100
SDC Funded Capital Projects	438	400	450
Debt Funded Capital Projects	2,111	6,063	7,629
Total Funding	\$ 13,757	\$ 15,048	\$ 20,528

### Employee Relations

EWEB maintains an employee staff of 517 full-time equivalents, approximately 73 of which work directly in Water Operations. Of the total EWEB employees, approximately 145 are represented by the International Brotherhood of Electric Workers (“IBEW”) Local 659. The collective bargaining agreement with IBEW expires March 31, 2021. EWEB and IBEW have established a Labor Management Committee that meets monthly to prevent and handle issues.

### Financial Policies

Beginning in 1990, EWEB adopted a series of comprehensive financial policies which provide direction for the financial management of the enterprise. These policies set standards for rate sufficiency, rate stability, reserve funds, capital investment, and debt management that guide the development of budgets, rates, and debt issues. Taken as a whole, the financial policies are intended and designed to provide financial performance indicators, including debt service coverage and reserves above the average of other similar municipal electric and water systems. EWEB updated its financial policies in July 2015 and revises its 10 year financial forecast on a semi-annual basis.

### Accounting Policies

EWEB's accounting policies conform to generally accepted accounting principles for public utilities and governmental units. EWEB applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

### Independent Accountants

EWEB obtains an audit and examination of its accounts and financial status at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405 to 297.555.

The financial statements for the periods ending December 31, 2015 and 2014, included in this Official Statement, have been audited by Moss Adams LLP, independent accountants as stated in their report appearing herein as Appendix B.

In connection with the presentation of its report on the audited financial statements of EWEB, Moss Adams LLP has provided the following language for inclusion in this Official Statement: “Moss Adams LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Moss Adams LLP also has not performed any procedures relating to this Official Statement.”



### **Investment Policy**

EWEB's investment policy calls for the investment of excess funds in a manner which will preserve capital and provide sufficient liquidity to meet cash flow demands while conforming with all State statutes governing investment of public funds. The policy includes provisions with respect to diversification and the credit quality of securities purchased. EWEB's primary objectives are, in order of priority: safety of principal, liquidity, and achieving a rate of return at least equal to the return on a comparably maturing U.S. Treasury bill. EWEB attempts to match its investments to anticipated cash flow requirements. Securities are intended to be held to maturity, unless the quality, yield or maturity characteristics of the portfolio can be improved by replacing one security with another. Holdings are restricted to securities maturing within three years. The Assistant Treasurer is responsible for the investment program, including procedures and controls.

### **Self-Insurance**

EWEB is exposed to various risks of loss relating to general liability and workers' compensation claims. EWEB self-insures for motor vehicle risk and general liabilities of less than \$2 million. EWEB maintains a combined self-insurance fund for the Electric System and Water System with a balance of \$2 million as of December 31, 2015. Amounts recorded in the general purpose financial statements, which are estimated to be payable, are based on the estimated ultimate loss and reserves for claims incurred as of the balance sheet date, adjusted from current trends through a case-by-case review of all claims, as well as incurred but not reported claims. Prior and current-year claims are fully reserved and are not discounted.

### **Claims and Other Legal Proceedings**

EWEB is involved in various litigation. In the opinion of management, the ultimate outcome of these claims will not have a material effect on EWEB's financial position beyond amounts already accrued as of December 31, 2015.

### **Environmental Matters**

EWEB is engaged in environmental investigation and remediation efforts in its ordinary course of business. In the opinion of management, the ultimate outcome of these matters will not have a material effect on EWEB's financial position beyond amounts already accrued as of December 31, 2015.

### **Oregon Public Employees Retirement System**

EWEB participates in a retirement pension benefit program under the State of Oregon Public Employees Retirement System ("PERS" or the "System").

*T1/T2 Pension Programs.* Employees hired before August 29, 2003 participate in the "Tier 1" and "Tier 2" Pension Programs (the "T1/T2 Pension Programs"). The benefits provided through the T1/T2 Pension Programs are based primarily on a defined benefit model and provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Effective January 1, 2004, T1/T2 Pension Program employee (participant) contributions fund individual retirement accounts under the separate defined contribution program known as the Individual Account Program (the "IAP"). Participant contributions may be paid by the employee or the employer, depending on the individual contract negotiated between the two. See "Employer Contribution Rates" herein.

*OPSRP.* Employees hired on or after August 29, 2003, participate in the Oregon Public Service Retirement Plan ("OPSRP") unless membership was previously established in the T1/T2 Pension Programs. OPSRP is a hybrid defined contribution/defined benefit pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

*Actuarial Valuation.* Oregon statutes require an actuarial valuation of the System at least once every two years. Based on the biennial actuarial valuation as of December 31 of odd-numbered years the Oregon Public Employees Retirement System Board (the "PERB") establishes the contribution rates that employers will pay to fund the T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account program ("RHIA") described herein. Actuarial valuations are performed annually as of December 31 of each year, with the valuations as of December 31 of even-numbered years (such as 2014) used for advisory purposes only and valuations as of December 31 of odd-number years (such as 2013) used to set

payroll contribution rates. Actuarial valuations are performed for the entire System (the “System Valuation”), and for each participating employer, including EWEB (the “EWEB Valuation”). Valuations are released nine to eleven months after the valuation date. PERS’ current actuary is Milliman, Inc. (“Milliman”) which replaced the prior actuary, Mercer (US), Inc. in January 2012.

<b>Valuation Date</b>	<b>Release Date</b>	<b>Rates Effective</b>
December 31, 2011	October 2012	July 1, 2013 - June 30, 2015
December 31, 2012	December 2013	Advisory only
December 31, 2013	September 2014	July 1, 2015 - June 30, 2017
December 31, 2014	November 2015	Advisory Only

On September 25, 2015, Milliman released the December 31, 2014 Valuation (the “2014 System Valuation”) which indicated that the System-wide funded status decreased from approximately 86 percent at December 31, 2013, to 76 percent (after taking into account certain legislative changes under SB 822 and SB 861 and a subsequent Supreme Court ruling reversing most of those revisions, see “2013 Legislative Changes” and “Challenges to PERS Modifications” herein), without taking into account offsets for deposits made by individual employers from bond proceeds or cash on hand in side accounts (see “Pension Bonds and Side Accounts” herein).

The funded status of PERS and of EWEB as reported by Milliman, will change over time depending on a variety of factors, including the market performance of the securities in which the Oregon Public Employees Retirement Fund (“OPERF”) is invested, future changes in compensation and benefits of covered employees, demographic characteristics of members, methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS, and other actions taken by the PERB.

*Employer Assets, Liabilities, and Unfunded Actuarial Liabilities.* 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 assets available to pay those benefits.

*GASB 67 and GASB 68.* In June 2012, the GASB approved Statements No. 67 and No. 68 that modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67 (“GASB 67”), Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68 (“GASB 68”), Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The System will be subject to GASB 67; each participating employer, including EWEB will be subject to GASB 68. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. GASB 67 is effective for Fiscal Year 2014 and GASB 68 is effective for Fiscal Year 2015. PERS has contracted with Milliman to provide information for local governments to use in their financial statements.

Under GASB 68, the EWEB recognizes on the Statement of Net Position its share of the Net Pension Liability, or Asset, of the PERS system. GASB 68 results in pension expense that has “non-cash” components representing the change from year to year in the Net Pension Liability. EWEB has elected to treat the non-cash portion of the pension expense as a regulatory deferral as allowed under regulatory accounting, since EWEB does not intend to recover this expense in current rates. Deferred pension expense will be recognized over time as actual expenses are recovered in rates.

For the year ended December 31, 2015, EWEB reported a net pension liability of \$45.5 million and EWEB’s proportionate share of System pension expense was \$44.8 million. EWEB has elected to use regulatory accounting to recognize pension expense in conjunction with the required employer contribution rates. Accordingly, EWEB recognized pension expense related to T1/T2 and OPSRP of \$8.9 million. See APPENDIX B – FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND DECEMBER 31, 2014.

*Pension Bonds and Side Accounts.* In November 2006, EWEB elected to make a lump-sum payment to PERS of \$7.2 million which lowered the employer contribution rate and PERS allocated to a “side account” which is tracked separately for rate purposes. In May 2001, EWEB issued its Electric Utility System Current Interest Revenue Bonds, Series 2001A (Federally Taxable) in an original principal amount of \$25,930,000 and its Electric Utility System Capital Appreciation Revenue Bonds, Series 2001A (Federally Taxable) in an original principal amount of \$4,067,555.95 to finance a portion of the then estimated PERS UAL. In December 2001, the Board elected to make a lump-sum payment of approximately \$29.6 million, which had the effect of lowering the employer contribution rate.

**Schedule or Proportionate Share of the Net Pension Liability as of June 30, 2015**

	<b>2014</b>	<b>2015</b>
Proportion of the net pension asset/(liability)	0.86139%	0.79250%
Proportionate share of the net pension asset/(liability)	\$19,525,251	(\$45,501,290)
Covered – employee payroll	\$41,130,143	\$45,250,685
Proportionate share of the net pension asset/(liability) as percentage of covered-employee payroll	47%	101%
Plan’s fiduciary net position	\$65,401,492,664	\$64,923,626,094
Plan fiduciary net position as a percentage of the total pension liability	103.60%	91.90%

*Source: 2015 Audited Financial Statements.*

*Actuarial Assumptions - 2014 and 2015 Valuations.* At their July 31, 2015 Board meeting, the PERB adopted revisions to its actuarial assumptions and methods based upon recommendations from Milliman. These changes include: a) lowering the assumed earnings rate to 7.50 percent; b) reducing the payroll growth rate from 3.75% to 3.50%; and c) updating the mortality assumptions to increase projections of life expectancy. The revised assumptions are being incorporated into the December 31, 2014 (advisory only) and December 31, 2015 (rate-setting for 2017-19 biennium) actuarial valuations.

*Employer Contribution Rates.* Employer contribution rates are calculated as a percent of covered payroll. The rates are based on the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including anticipated investment performance of the fund. Contribution rates are subject to future adjustment based on factors such as the result of subsequent actuarial valuations, litigation, decisions by the PERB and changes in benefits resulting from legislative modifications. Pursuant to ORS 238.225, all participating employers are required to make their contribution to PERS based on the employer contribution rates set by the PERB. Employees are required to contribute six percent of their annual salary to the IAP. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution. EWEB has elected to make the employee contribution and contributed \$2.6 million for employees in Fiscal Year 2015.

*Rate Collar.* In January 2010, the PERB adopted a rate collar to limit increases in employer contribution rates from biennium to biennium (the "Rate Collar") to smooth the impact of significant increases or decreases from one valuation to the next. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA and Retiree Health Insurance Premium Account ("RHIPA"). Under normal conditions, the Rate Collar is the greater of three percent of payroll (the "3% parameter") or 20 percent of the current base rate (the "20% parameter"). If the funded status of an employer or the pool in which the employer participates is below 70 percent (or above 130 percent), the Rate Collar increases by 0.3 percent of payroll if under the 3% parameter, or two percent of payroll if under the 20 percent parameter, for every percentage point under the 70 percent (or above 130 percent) funded level (the "Collar Ramp") until it reaches six percent of payroll, or 40 percent of the current rate base at the 60 percent (or above 140 percent) funded level (the "Double Rate Collar"). As of the December 31, 2014 advisory valuation date, the plan funded status was 72%. If the projected rate necessary to fully fund the system (the "Uncollared Rate") causes an increase or decrease in rates that exceeds the Rate Collar, the excess increase or decrease is deferred to future rate cycles.

*Contribution Rates.* The past 2013-15 and current 2015-17 biennial employer contribution rates for the Pension Programs incorporate the impacts of changes to the Pension Programs approved by the 2013 Legislature, many of which were later reversed by the Supreme Court (see "2013 Legislative Changes" and "Challenges to PERS Modifications" herein). The Supreme Court's actions do not affect these rates, but will affect rates in the 2017-19 biennium. EWEB's employer contribution rates for the 2015-17 biennium and the advisory rates for the 2017-19 biennium are provided in the following table.

**Employer Contribution Rates**

	2015-17 Employer Rates			Advisory 2017-19 Employer Rates <sup>(2)</sup>		
	T1/T2	OPSRP		T1/T2	OPSRP	
		General Service	Police & Fire		General Service	Police & Fire
<b>Pension</b>						
Normal cost rate	12.30%	7.33%	11.44%	14.20%	8.10%	12.90%
Tier 1/Tier 2 UAL rate <sup>(1)</sup>	9.80%	9.80%	9.80%	12.32%	12.32%	12.32%
OPSRP UAL rate	0.61%	0.61%	0.61%	1.01%	1.01%	1.01%
Side account rate relief	(1.25%)	(1.25%)	(1.25%)	(1.20%)	(1.20%)	(1.20%)
<b>Net pension contribution rate</b>	<b>21.46%</b>	<b>16.49%</b>	<b>16.49%</b>	<b>26.33%</b>	<b>20.23%</b>	<b>25.03%</b>
<b>Retiree Healthcare</b>						
Normal cost rate	0.08%	0.00%	0.00%	0.07%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.43%	0.43%	0.43%
<b>Net retiree healthcare rate</b>	<b>0.53%</b>	<b>0.45%</b>	<b>0.45%</b>	<b>0.50%</b>	<b>0.43%</b>	<b>0.43%</b>
<b>Total net employer contribution rate</b>	<b>21.99%</b>	<b>16.94%</b>	<b>21.05%</b>	<b>26.83%</b>	<b>20.66%</b>	<b>25.46%</b>

(1) Includes Multnomah Fire District #10 rate.

(2) Advisory rates calculated as of December 31, 2014.

*Contributions.* Contributions to PERS are provided in the following table.

	<b>2014</b>	<b>2015</b>
Contractually required contribution (actuarially determined)	\$9,544,586	\$9,734,173
Contributions in relation to the actuarially determined contribution	\$9,544,586	\$9,734,173
Contribution deficiency (excess)	-	-
Covered employee payroll	\$41,130,143	\$45,250,685
Contributions as a percentage of covered-employee payroll	23.21%	21.51%

*Source: 2015 Audited Financial Statements.*

In anticipation of higher rates due to legislative changes and lower than assumed earnings, EWEB's long term financial plan includes PERS contribution rate assumptions of 31% increasing to 35% and 39% in 2019 and 2021, respectively.

*2013 Legislative Changes.* During the 2013 Legislative Session (the "Legislative Session"), and a subsequently called special session, (the "Special Session"), the Legislative Assembly made changes to PERS by enacting Senate Bill 822 ("SB 822"), signed by the Governor on May 6, 2013, and Senate Bill 861 ("SB 861"), signed by the Governor on October 8, 2013. These bills limited annual cost of living adjustments ("COLAs"), eliminated a benefit increase for out-of-state retirees based on Oregon income tax, excluded salary increases given to pay for insurance costs from the final average salary used to calculate pension benefits, and reduced legislators' participation in PERS. The changes were estimated to reduce the total accrued actuarial liability of the System by approximately \$4.7 billion and reduced employer contribution rates by an average of 4.28 percent of payroll for the 2013-15 biennium. Lawsuits challenging the constitutionality of the changes made by SB 822 and SB 861, however, were filed in and recently decided by the Oregon Supreme Court reversing some of these changes. See "Challenges to PERS Modifications" below.

*Challenges to PERS Modifications.* Several cases were filed with the Oregon Supreme Court on behalf of PERS retirees and active employees challenging changes to PERS retirement benefits that were enacted by the Legislative Assembly in the Legislative Session through SB 822 and in the Special Session through SB 861. The petitioners alleged that the enacted legislation constituted a breach of contract as well as an impairment of contract and a taking of property rights in violation of the Oregon and United States constitutions.

On April 30, 2015, the Oregon Supreme Court (the "Court") reversed, in part, the changes made to the PERS system through SB 822 and SB 861. The Court's decision invalidated the reductions in cost of living adjustments ("COLAs") insofar as they

applied to benefits that members earned before the effective dates of the legislative changes. The decision held that adjustments to COLAs were permissible insofar as they applied to benefits that members earn on or after the effective dates of the legislative changes. The Court also upheld the elimination of a benefit increase for out-of-state retirees.

The Water System recognized a net pension liability of \$8 million in 2015, compared to a \$4 million net pension asset for 2014. The change from a net pension asset to net pension liability was primarily due to the Court's decision.

### **Supplemental Retirement Plan**

The Supplemental Retirement Plan ("SRP") is a single-employer plan providing retirement, death and disability benefits to participants and their beneficiaries which has been closed to new entrants since 1988. For FY 2015, EWEB management determined that the net pension liability of the plan is immaterial.

### **Post Employment Benefits Other Than Pensions**

In addition to pension benefits, EWEB provides post-employment health care and life insurance benefits to all employees who retire with pension benefits under PERS or OPSRP with at least 11 years of service. It is a single-employer defined benefit plan. The latest actuarial valuation, dated December 31, 2014, included 461 retirees or surviving spouses of retired employees and 517 active employees. The life insurance benefit is a fixed amount of \$5,000 per retiree. Health care coverage generally reimburses 80% of the amount of validated claims for certain medical, dental, and vision costs.

In 2007, through a new single-purpose trust, EWEB made arrangements to fund the accruing costs of these post-employment benefits other than pensions (OPEB). In November of 2007, EWEB transferred \$8.2 million into the OPEB trust to begin prefunding the benefits. On May 31, 2013, the Board deposited \$7 million from a reserve for pension and medical costs to pay down the unfunded actuarial accrued liability of the plan (UAAL). The deposit represented 36% of the trust's assets on that date. It is the Board's intent to pay the actuarially determined OPEB cost annually to the trust. Valuations are updated every two years. The OPEB trust issues a publicly available set of audited financial statements.

EWEB's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
12/31/2013	\$1,535,043	550%	\$(6,997,531)
12/31/2014	\$1,535,043	100%	\$(7,004,361)
12/31/2015	\$1,166,812	100%	\$(6,680,934)

Source: EWEB's Audited Financial Statement.

As of December 31, 2014, the plan was 72% funded. The actuarial accrued liability for benefits was \$26 million. The actuarial value of assets was \$19 million, resulting in an unfunded actuarial accrued liability of \$7 million.

The following table presents a schedule of funding progress for EWEB's OPEB Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UALL as a Percentage of Covered Payroll
01/01/2012	\$11,259,871	\$34,105,920	\$22,846,049	33%	\$41,865,384	55%
06/01/2013	\$19,257,425	\$31,281,002	\$12,023,577	62%	\$42,796,406	28%
12/31/2014	\$19,172,194	\$26,579,575	\$7,407,381	72%	\$45,250,685	16%

Source: EWEB's Audited Financial Statement.

As of April 1, 2016 the collective bargaining agreement with IBEW was amended to remove the subsidy for post-employment health care for employees hired after January 1, 2003. EWEB management is currently reviewing similar changes for non-

represented employees. Management believes these changes will create significant cost savings related to the OPEB Plan and future health care costs.

## **ECONOMIC AND DEMOGRAPHIC INFORMATION**

The City of Eugene, incorporated in 1862, covers 43.9 square miles in Lane County (the “County”), at the southern end of the Willamette Valley. Eugene is the center of government and education in the County and is the location of the University of Oregon, Lane Community College and offices of County, State and federal government agencies. It is the second largest city in the state, with a population of 163,400 or about 45% of the County's population of 362,150. Over the last 10 years, Eugene's population has increased at an average annual rate of approximately 1.1%. Eugene and the neighboring city of Springfield are contiguous, sharing Interstate 5 as a boundary and forming a metropolitan area that dominates the economy of the County. Springfield is the tenth largest city in the state, with a population of 60,135. For statistical purposes, the entire County comprises the Eugene-Springfield Metropolitan Statistical Area.

### **Land Use Planning**

State law requires comprehensive land use planning to be accomplished at the city and county levels. To provide common direction and consistency within each city and county comprehensive plan, the Oregon Legislative Assembly directed the Land Conservation and Development Commission (“LCDC”) to adopt statewide planning goals and guidelines. Comprehensive plans must address 19 state-wide goals which deal with matters that include economy, housing, urbanization and transportation. All zoning and development within a city or county must conform to the appropriate comprehensive plan.

The cities of Eugene and Springfield worked together with Lane County to create the Eugene-Springfield Metropolitan Area General Plan (the Metro Plan), which was adopted and approved by LCDC in 1982 and updated in 1987 and again in 2004. The Metro Plan establishes general planning policies and land use allocations that become the basis for other planning efforts such as area refinement plans, functional plans, and special focused studies. The two cities are currently developing individual plans based on city-specific policies and inventories of land supply and demand. The Metro Plan will be retained to address regional land use planning issues such as transportation and public facilities and services.

### **Employment**

Employment and unemployment data are presented for the Eugene-Springfield Metropolitan Statistical Area (“MSA”), which consists of all of Lane County. Oregon Employment Department figures for 2015 show total non-farm employment in the MSA has risen from 151,500 to 154,600 an increase of 3,100 jobs, or 2.0%, since 2014.

#### ***Labor Force by Place of Residence Eugene-Springfield MSA (Lane County)***

<b>Year</b>	<b>Civilian Labor Force</b>	<b>Number Unemployed</b>	<b>Employment</b>
2005	173,600	10,664	162,936
2006	177,402	9,607	167,795
2007	181,463	9,403	172,060
2008	183,901	12,403	171,498
2009	183,890	22,635	161,225
2010	178,304	19,648	158,656
2011	177,236	17,084	160,152
2012	172,226	15,268	156,958
2013	167,480	13,295	154,185
2014	169,571	11,980	157,591
2015	172,582	9,231	163,351

*Source: Bureau of Labor Statistics*

*Notes: The National Compensation Survey defines Civilian Workers as the sum of all private industry and State and local government workers. Federal Government, military and agricultural workers are excluded. Numbers may not add due to rounding.*

***Eugene-Springfield MSA***  
***Annual Average Employment and % Distribution by Industry***

<b>Industry</b>	<b>2014</b>		<b>2015</b>		<b>% Change</b>
	<b>Annual Average</b>	<b>% of Total</b>	<b>Annual Average</b>	<b>% of Total</b>	
Total nonfarm employment	147,800	100.00%	151,300	100.00%	2.37%
Total private	118,800	80.38%	122,400	80.90%	3.03%
Mining and Logging	1,000	0.68%	900	0.59%	-10.00%
Construction	5,700	3.86%	6,000	3.97%	5.26%
Manufacturing	13,000	8.80%	13,100	8.66%	0.77%
Durable goods	8,800	5.95%	8,700	5.75%	-1.14%
Wood product manufacturing	3,400	2.30%	3,300	2.18%	-2.94%
Transportation equipment manufacturing	500	0.34%	500	0.33%	0.00%
Nondurable goods	4,200	2.84%	4,400	2.91%	4.76%
Trade, transportation, and utilities	28,700	19.42%	29,600	19.56%	3.14%
Wholesale Trade	5,900	3.99%	6,100	4.03%	3.39%
Retail trade	19,300	13.06%	19,900	13.15%	3.11%
General merchandise and clothing stores	5,000	3.38%	5,100	3.37%	2.00%
Food and beverage stores	4,200	2.84%	4,400	2.91%	4.76%
Transportation, warehousing, and utilities	3,500	2.37%	3,600	2.38%	2.86%
Information	3,500	2.37%	3,300	2.18%	-5.71%
Financial activities	7,400	5.01%	7,800	5.16%	5.41%
Professional and business services	16,100	10.89%	16,400	10.84%	1.86%
Administrative and support services	7,900	5.35%	8,100	5.35%	2.53%
Educational and health services	23,200	15.70%	24,200	15.99%	4.31%
Health care and social assistance	21,400	14.48%	22,300	14.74%	4.21%
Health care	18,300	12.38%	19,100	12.62%	4.37%
Leisure and hospitality	15,500	10.49%	16,200	10.71%	4.52%
Accommodation and food services	13,600	9.20%	14,200	9.39%	4.41%
Food services and drinking places	12,000	8.12%	12,600	8.33%	5.00%
Other services	4,800	3.25%	5,000	3.30%	4.17%
Government	29,000	19.62%	28,900	19.10%	-0.34%
Federal government	1,600	1.08%	1,600	1.06%	0.00%
State government	12,500	8.46%	12,500	8.26%	0.00%
State education	10,000	6.77%	10,000	6.61%	0.00%
Local government	14,900	10.08%	14,800	9.78%	-0.67%
Local education	8,200	5.55%	8,000	5.29%	-2.44%

Source: Oregon Employment Department, *QualityInfo.org*.

Note: Many sub-categories are not shown. Numbers may not add due to rounding.

## Unemployment

The annual average unemployment rates for Lane County and Eugene have dropped from a high in 2009.

*Average Annual Unemployment  
As a % of Labor Force*

<b>Year</b>	<b>City of Eugene</b>	<b>Lane County</b>	<b>State of Oregon</b>	<b>United States</b>
2006	4.8%	5.4%	5.3%	4.6%
2007	4.6%	5.2%	5.2%	4.6%
2008	5.7%	6.7%	6.5%	5.8%
2009	10.1%	12.3%	11.3%	9.3%
2010	10.8%	11.0%	10.6%	9.6%
2011	9.6%	9.6%	9.5%	8.9%
2012	9.1%	8.9%	8.8%	8.1%
2013	8.2%	7.9%	7.9%	7.4%
2014	6.7%	7.1%	6.8%	6.2%
2015	6.5%	6.0%	5.7%	5.3%

*Source: Bureau of Labor Statistics & Oregon Employment Department, QualityInfo.org.*

*City of Eugene Comprehensive Annual Financial Report 2015.*

*Note: These are not seasonally adjusted numbers*

## Housing

The National Association of Realtors data indicate the median sales price of existing single family homes in the Eugene-Springfield MSA climbed to \$200,900 in 2014. This was a 12.7% increase over the median sales price of \$178,200 reported in 2013 and a 12.4% increase over the 2012 median sales price of \$178,700. Preliminary data for the third quarter of 2015 indicates a median sales price of \$226,200.

## Economic Development

Recent efforts by the City to maintain and strengthen the economy include the adoption of Envision Eugene: Vision to Action, which is a set of four documents that plan for growth in the next 20 years. After several years of data gathering and analysis, the City Council released draft versions of the four documents for public comment in 2015. Envision Eugene's planning documents address economic opportunities and compact urban development while considering climate change, housing affordable to all income levels and neighborhood livability.

## Downtown

The downtown area is primarily a business area, anchored by commerce and government and enhanced by an expanding arts and entertainment district and residential opportunities. Major recent development includes:

- EWEB's 17-acres of riverfront property became available for re-use when EWEB moved about half its staff to a new operations center in west Eugene in 2010. EWEB customer service, administrative and other functions remain in its headquarters building along the Willamette River. The available property is located in between the downtown core and Willamette River with proximity to the University of Oregon and neighboring commercial districts. Following adoption of a site master plan and City Council approval of new land use codes in 2016, EWEB and the City of Eugene are communicating with developers interested in the available property along the Willamette River.
- The HUB is a luxury student housing complex that was completed in September of 2015. The \$44 million project contains 197 living units with 501 bedrooms. Construction was enabled through a Multi-Unit Property Tax Exemption (MUPTE) approved by the Eugene City Council in 2013. During years 6-10 of the exemption The HUB will pay a total of \$1.03 million to the City for affordable housing.
- Capstone Collegiate Communities completed construction of a 375 unit student housing complex in 2014. The 13th and Olive Apartments houses approximately 1,300 tenants at the former PeaceHealth Clinic site. This project constituted the largest downtown redevelopment venture in the history of Eugene.



- In 2014, a joint public-private partnership yielded the completed renovation of a mostly vacant building on the corner of Willamette Street and Broadway. The new First on Broadway building includes 16 luxury apartments and ground floor commercial space. The initial funds loaned from the Downtown Urban Renewal Agency for acquisition and construction of the project have been repaid in full.
- Northwest Community Credit Union purchased nearly 2 acres at East 8th Avenue and Ferry Street from the Urban Renewal Agency to build a new headquarters and retail branch next to the Federal Courthouse. The building was completed in late 2014 and brought 150 permanent full time jobs to Eugene.
- Lane Community College (LCC) constructed a Downtown Campus facility on the one-half block site at 10th Avenue and Charnelton Street, located across from the downtown public library. The campus was opened in its entirety January of 2013. This site had stood empty as the largest cleared development-ready site in the downtown area. The \$55 million facility includes an education building and student housing complex. The student housing component of the project accommodates 256 residents in Eugene's central core. The education building is a model of energy efficiency and green construction and houses the college's Energy Management program, continuing education, and job training programs.

### **Commercial/Industrial Projects**

Recent and current commercial/industrial projects in Eugene include the following:

- International Paper announced a large capital improvement plan for the Springfield, Oregon containerboard mill. In late 2016, the company will begin a \$100 million modernization effort to improve efficiency and output.
- In October 2015, Avago Technologies, a mobile broadband semi-conductor manufacturer, purchased the 1.2 million square foot former Hynix semi-conductor manufacturing plant for \$21 million. The west Eugene plant will be used to make components for mobile devices and chip production is slated to begin late 2017. The new facility is estimated to employ approximately 500 people. Forecasted water usage is expected to be approximately one million gallons per day.
- PeaceHealth, parent organization for Sacred Heart Hospital, plans to spend about \$97 million to renew the Hilyard Street (now the University District) campus now that the new RiverBend Regional Medical Center is completed in Springfield. See "ECONOMIC AND DEMOGRAPHIC INFORMATION – Healthcare" for additional information about PeaceHealth Medical Group's recent facility relocation and expansion.
- Lane County, City of Eugene and other regional partners jointly adopted the regional Prosperity Economic Development Plan. The plan focuses on supporting expansion of existing economic sectors starting with Technologies, Food & Beverage and Manufacturing.

### Construction Activity

Between 2006 and 2015, building permits for construction of 6,892 new residential dwelling units were issued with total valuation of \$866,907,918. Annual permits issued for new residential buildings have risen from a low of 129 in 2009; up to 292 in the most recent year's (2015) data. Permits for construction of new non-residential buildings totaled 495 in the last ten years, with total valuation of \$482,900,781.

***Building Permits and Valuation  
City of Eugene  
(Valuation in \$000,000's)***

	<b>New Buildings</b>				<b>Additions/Alterations</b>			
	<b><u>Residential</u></b>		<b><u>Non-Residential</u></b>		<b><u>Residential</u></b>		<b><u>Non-Residential</u></b>	
	<b>Number of Permits</b>	<b>Value (\$000,000s)</b>	<b>Number of Permits</b>	<b>Value (\$000,000s)</b>	<b>Number of Permits</b>	<b>Value (\$000,000s)</b>	<b>Number of Permits</b>	<b>Value (\$000,000s)</b>
2006	543	125.7	75	31.5	842	21.2	647	48.1
2007	315	80.5	66	33.6	819	15.9	780	61.2
2008	191	47.9	69	58.3	716	15.3	736	51.2
2009	129	39.1	53	43.1	582	13.4	556	41.3
2010	173	47.3	29	32.7	574	12.8	593	57.2
2011	136	48.2	38	93.1	551	12.4	653	55.8
2012	181	74.1	31	28.7	619	12.0	672	48.5
2013	209	84.1	47	73.0	606	12.7	626	94.4
2014	294	217.6	48	51.5	566	12.4	664	65.9
2015	292	94.4	39	37.4	617	12.0	642	98.7

*Source: City of Eugene, Planning and Development Department, March 23, 2016.*

*Note: Excludes mobile homes; public buildings are included under non-residential.*

### The University Of Oregon

The University of Oregon, founded in 1876, is located on a 295-acre campus in Eugene. Enrollment at this state liberal arts university is approximately 23,400 students. The University employs approximately 1,900 Faculty, 1,300 Graduate Assistants and 2,700 administrative and classified staff (not including temporary and student workers). The University is a major public research institution, whose programs rank consistently in the top 25% of such public institutions, with many programs ranking in the top 10%. It is composed of a College of Arts and Sciences and six professional schools: Education, Business, Law, Music, Architecture, and Journalism. The University's libraries include over 3 million volumes and 18,000 periodicals, the second largest collection in the Northwest.

The University of Oregon is one of only two universities in the Northwest that are members of the Association of American Universities (AAU). The AAU is an invitation-only organization made up of 62 of the leading public and private research institutions in the United States and Canada. University of Oregon faculty members were awarded \$114.634 million in outside grants and contracts in 2014-15; 90% of this total came from federal agencies. With an annual payroll totaling \$400 million, other expenditures totaling \$175 million, and generating another \$233 million in student spending besides tuition and fees, the University of Oregon is a major engine within Oregon's and Eugene's economies.

The University was selected to host the 2008, 2012 and 2016 Olympic Team Trials for Track and Field at its historic Hayward Field. This event is the largest national championship track meet in the world, attracting over 1,000 athletes and more than 350,000 spectators. The City of Eugene was also recently selected by the International Association of Athletics Federation

(IAAF) to host the 2021 World Outdoor Track and Field Championship, marking the first time this prestigious event has been held in the United States.

During the last five years, the University completed a number of capital construction and improvements projects to support its overall mission. Several recent projects at the University have boosted local construction activity such as the recent completion of a \$50.0 million expansion of the student recreation center that opened in 2015. Additionally, a \$95.0 million expansion and renovation of the Erb Memorial Union is expected to be completed in 2016. Large real estate firms have also made recent moves into the student housing market; Principal Financial Group, an Iowa-based Fortune 500 firm, purchased a six-story student apartment complex for \$45.5 million in 2015 and American Campus Communities completed an approximately \$65.0 million apartment building which opened in 2015.

## **Transportation**

### **Highways**

Major highways through the City include heavily-traveled U.S. Interstate 5, which bisects the metropolitan area, providing access north to Portland, Seattle and Vancouver B.C. and south to Sacramento and Los Angeles. Oregon State Highway 126 provides year-round connections west to the Pacific Coast and east, to the Cascade Mountains and the growing communities and recreational opportunities of central Oregon. Oregon Highway 58 provides another well-traveled route across the Cascade Mountains, connecting Interstate 5 with US Highway 97.

### **Rail**

The Union Pacific Railroad line extends north-south, providing freight connections to and from national markets and, through connections to major seaports, reaching international markets. Amtrak offers daily service with passenger trains and buses that connect Eugene to the other cities in the Pacific Northwest High Speed Rail Corridor and south through California.

In 2004, City completed a full rehabilitation of the historic 1908 Eugene Depot rail station. Amtrak occupies and provides passenger rail service from the Depot building under a lease agreement with the City in order to provide passenger rail service for Eugene and connecting locations.

### **Transit**

Comprehensive bus service within Lane County is provided by the Lane Transit District. In its inaugural year, the District's innovative EmX bus rapid transit had more than 1.4 million passenger boardings, far surpassing projections for the four-mile "Green Line" segment between Eugene and Springfield downtowns. Ridership on EmX has increased by 70% compared with the number of boardings on the bus line which previously served the route. A West Eugene EmX extension is currently in construction with an anticipated opening in late 2017. In addition, Lane Transit recognizes the needs of an aging population that has resulted in a 10% annual rate of growth for RideSource, which uses smaller vehicles to provide curb-to-curb service for elderly and disabled riders.

### **Air**

The Eugene Airport is the second largest airport in the state and the fifth largest airport in the Pacific Northwest. Owned and operated by the City of Eugene, the 2,600 acre airport serves an expansive six-county region with commercial, corporate, general aviation and air cargo services. The airport property is also home to the Lane Aviation Academy.

Non-hub, commercial service is provided with non-stop service to Denver, Las Vegas, Los Angeles, Oakland, Phoenix-Mesa, Portland, Salt Lake City, San Francisco, San Jose and Seattle. Commercial air carriers include Alaska Air, Allegiant Air, American Airlines, Delta Air Lines, and United Air Lines.

### **Other Utilities**

CenturyLink provides telephone service to the area, and Northwest Natural Gas Company provides natural gas. Comcast provides cable television services to the Eugene-Springfield area. Both CenturyLink and Comcast also provide high-speed internet services to households and businesses in the area.

The Metropolitan Wastewater Management Commission (MWMC) has the authority to plan, design, maintain, and operate sewerage facilities serving the Eugene/Springfield metropolitan area. The organization is a component unit and an enterprise fund of the City of Springfield, with the City of Springfield providing the administration and Eugene operating the system. The MWMC has an intergovernmental agreement with Eugene and Springfield to operate and maintain the treatment plant, completed in 1984, and to manage the related capital improvement program. User rates are adopted by the MWMC for sewage treatment, and the two city councils pass local user rate ordinances for their jurisdictions based on the adopted regional treatment rates and which incorporate rates to support local sewage collection system operations and maintenance.

In 2004, the intergovernmental agreement between Lane County, Springfield and Eugene was modified to give authority and enabling processes to the Metropolitan Wastewater Management Commission to issue revenue bonds for the support of the regional Wastewater Capital Improvement Program. In 2007, the MWMC issued \$50 million in revenue bonds to support an approved 20 year CIP for the upgrade and expansion of the regional wastewater treatment facilities.

### **Police, Fire Protection & Emergency Medical Services**

The Eugene Police Department employs 190 sworn officers who work in patrol, investigations, traffic enforcement and administrative positions, while about 140 civilian employees work mostly in records, communications, crime prevention and administrative support positions.

Since July 1, 2010, Springfield and Eugene Fire Departments have operated under an intergovernmental agreement (IGA) between the two cities to share the services. In August 2014, Operations personnel of the two cities merged and currently work side-by-side in all Eugene and Springfield. The Eugene Springfield Fire & Emergency Medical Services Department currently responds from sixteen stations, fifteen in the cities and one at the airport. In FY 2014, the combined fire department had a staff of 305 personnel. The emergency medical response deployment includes twelve paramedic engine companies, three 24-hour ambulances and several more demand-based ambulances to serve Eugene and Springfield and a large portion of rural Lane County.

### **Education**

Citizens of Eugene are served by one of three K-12 public school districts: Bethel 52, Eugene 4J, and Junction City. Higher education opportunities are provided by a number of institutions located in or offering extension classes in Eugene. The University of Oregon, the state's flagship teaching and research institution, offers undergraduate and graduate degrees in a broad variety of fields. (See "University of Oregon".) Northwest Christian University is an accredited 120-year-old private institution providing a range of undergraduate, graduate and professional degrees. A smaller accredited college, New Hope Christian College, also offers 4-year degrees. Extension and continuation classes leading to degrees are offered in Eugene by two other accredited institutions: Linfield College, whose main campus is located in McMinnville, Oregon, and Pacific University, located in Forest Grove, Oregon.

Lane Community College is a publicly supported college founded in 1964, serving a 4,600-square mile area from the Cascade Mountains to the Pacific Ocean. Lane is a comprehensive community college, providing services to about 10,000 full time students each year. Lane's mission is to be a learning-centered community college that provides affordable, quality, lifelong educational opportunities that include: professional, technical and lower division college transfer programs; employee skill upgrading, business development and career enhancement; foundational academic, language and life skills development; lifelong personal development and enrichment; and cultural and community services. Eugene facilities include the main campus south of downtown, a center in downtown Eugene, a Flight Technology Center at the Eugene Airport and community learning centers at two Eugene high schools.

## **Healthcare**

Eugene's largest employer and medical services provider is PeaceHealth Medical Group. PeaceHealth operates the 338 bed RiverBend Regional Medical Center in Springfield's Gateway area, as well as the 104 bed Sacred Heart Medical Center – University District in Eugene. The RiverBend facility is the largest hospital between Portland and San Francisco and the only Level II trauma center in Lane County. Key services include a 32-bed Neonatal Intensive Care Unit, the Oregon Heart & Vascular Institute and Oregon Rehabilitation Center. PeaceHealth also operates a number of primary care, specialty and urgent care clinics and medical offices throughout the City and central Lane County. Following the opening of the RiverBend facility, a \$97 million renovation is being undertaken for Sacred Heart's previous main facility on Hilyard Street in Eugene, now known as Sacred Heart Medical Center - University District. The Hilyard Street facility, which has been home to Sacred Heart for more than 70 years, is undergoing renovation, including removal of all pre-1965 buildings and modifications to interior spaces.

McKenzie-Willamette Medical Center is a privately owned, 113-bed facility with inpatient, outpatient care, diagnostic, medical, surgical and emergency care. In 2015, the facility began an \$80 million expansion to construct a new 4-story patient tower and powerhouse replacement along with significant renovations to the current hospital.

The U.S. Department of Veterans Affairs invested over \$60.0 million to build a new clinic in north Eugene that is expected to employ 235 people and opened in January 2016. The new 120,000-square-foot facility will provide primary care, mental health, women's health, audiology, physical, speech and occupational therapy as well as an on-site dispensing pharmacy.

In 2015, the Oregon State Hospital opened a new \$84 million state psychiatric hospital 15 miles outside of Eugene in Junction City. The facility will eventually serve up to 174 patients in Oregon and employ a staff of 330.

*[Remainder of page intentionally left blank.]*

**Additional Economic and Demographic Tables**

The following tables present data for the Eugene-Springfield Metropolitan Statistical Area, and for the City when available. The tables provide additional information about the economic and demographic nature of the City.

Population	<i>Population Estimates</i>					
	City of Eugene	Percent Change	Lane County	Percent Change	State of Oregon	Percent Change
1940	20,838	--	69,096	--	1,089,684	--
1950	35,879	72.2%	125,776	82.0%	1,521,341	39.6%
1960	50,977	42.1%	162,890	29.5%	1,768,687	16.3%
1970	79,028	55.0%	215,401	32.2%	2,091,533	18.3%
1980	105,664	33.7%	275,266	27.8%	2,633,156	25.9%
1990	112,699	6.7%	282,912	2.8%	2,842,321	7.9%
2000	137,893	22.4%	322,977	14.2%	3,421,432	20.4%
2010	157,845	14.5%	348,550	7.9%	3,844,195	12.4%
2011	157,010	-0.5%	353,155	0.4%	3,857,625	0.7%
2012	158,335	0.8%	354,200	0.3%	3,883,735	0.7%
2013	159,580	0.8%	356,125	0.5%	3,919,020	0.9%
2014	160,775	0.7%	358,805	0.8%	3,962,710	1.1%
2015	163,400	1.6%	362,150	0.9%	4,013,845	1.3%

Source: 1940-2000 Federal Census figures, 2005-2015 estimates by the Population Research Center at Portland State University.

*[Remainder of page intentionally left blank.]*

*Personal Income*

<u>Year</u>	<u>Total Personal Income</u>		<u>Per Capita Personal Income</u>	
	<u>Lane County</u> (\$ in thousands)	<u>Lane County</u>	<u>State of Oregon</u>	<u>United States</u>
2005	\$10,082,587	\$30,023	\$32,434	\$31,760
2006	10,919,089	32,122	34,546	33,589
2007	11,272,793	32,690	35,648	34,826
2008	11,690,848	33,577	36,750	36,101
2009	11,385,410	32,451	35,390	35,616
2010	11,547,065	32,818	35,791	36,274
2011	12,047,023	34,080	37,512	37,804
2012	12,545,269	35,391	39,083	39,440
2013	12,724,475	35,777	39,426	39,123
2014	13,392,647	37,374	41,220	40,461

Source: U.S. Department of Commerce, Bureau of Economic Analysis, January 18, 2016.

*Top Ten Employers in Eugene as of November 17, 2015*

<u>Employer</u>	<u>2015</u>		<u>2006</u>	
	<u>Employees</u>	<u>Percentage of total employment</u>	<u>Employees</u>	<u>Percentage of total employment</u>
PeaceHealth Medical Group	5,500	3.45	4,200	2.56
University of Oregon	5,406	3.39	3,997	2.44
US Government	1,575	0.99	-	-
City of Eugene	1,369	0.86	1,408	0.86
Springfield School District	1,283	0.80	-	-
Lane County	1,279	0.80	1,443	0.88
State of Oregon	1,229	0.77	829	0.51
Eugene School District 4J	1,163	0.73	2,403	1.47
Lane Community College	1,009	0.63	818	0.50
McKenzie-Willamette Medical Center	895	0.56	-	-
Hynix Semiconductor	-	-	1,100	0.67
Bethel School District 52	-	-	687	0.42
PSC Scanning	-	-	582	0.35
Total	20,708	12.98	17,467	10.65

Source: City of Eugene FY 2015 Comprehensive Annual Financial Report.

## **VARIOUS FACTORS AFFECTING THE WATER UTILITY INDUSTRY**

The water utility industry in general has been, or in the future may be, affected by a number of factors which could impact the financial condition and competitiveness of many water utilities. The American Water Works Association (AWWA) produces an annual report of issues including, among others, (1) Renewal and replacement of aging infrastructure, (2) Water quality, (3) Long-term water supply availability, (4) Public understanding of the value of water systems and services, (5) Public understanding of the value of water resources, (6) Watershed/source protection, (7) Cost recovery (pricing water to accurately reflect its true cost), (8) Emergency preparedness, (9) Water conservation/efficiency, (10) Compliance with future regulations, (11) Groundwater management and overuse, (12) Compliance with current regulations, (13) Drought or periodic water shortages, (14) Asset management, (15) Acceptance of future water rate increases, (16) Water loss control, (17) Talent attraction and retention, (18) Energy use/efficiency and cost, (19) Data management and (20) Aging workforce/anticipated retirements. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given water utility and likely will affect individual utilities in different ways.

EWEB is unable to predict what impact such factors will have on its business operations and financial condition. This Official Statement includes a brief discussion of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof.

## **THE INITIATIVE AND REFERENDUM PROCESS**

The Oregon Constitution, Article IV, Sec. 1, reserves to the people of the State (1) the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by voters and (2) the referendum power to approve or reject at an election any act passed by the Legislative Assembly that does not become effective earlier than 90 days after the end of the legislative session. The Legislative Assembly may also refer an act to the voters for approval or rejection.

State law permits any person to file a proposed initiative with the Secretary of State's office without payment of fees or other burdensome requirements. Although a large number of initiative measures are submitted to the Secretary of State's office, a much smaller number of petitions contain sufficient signatures to be placed on the ballot.

### **Proposed Initiative Measures That Qualify To Be Placed On The Ballot**

To place a proposed initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2016 general election, the requirement is eight percent (117,578 signatures) for a constitutional amendment measure and six percent (88,184 signatures) for a statutory initiative. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

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

Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact. Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are provided in the following table.



### Historical Initiative Measures – General Elections

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
2002	7	3
2004	6	2
2006	10	3
2008	8	0
2010	4	2
2012	7	2
2014	4	2

NOTE: The Secretary of State posts a listing of initiatives on its web site: [www.sos.state.or.us](http://www.sos.state.or.us).

Source: *Elections Division, Oregon Secretary of State, November 17, 2015.*

### Future Initiative Measures

The filing deadline for placement on the November 8, 2016 ballot is July 8, 2016. The Secretary of State's office has until August 7, 2016, to determine which initiatives, if any, have sufficient numbers of valid signatures to qualify. Some measures, if qualified for the ballot and approved by the voters, may have a financial impact on the state, which may have financial implications for EWEB. The likelihood of qualification, voter approval or the amount of fiscal impact, if any, is currently unknown.

The Oregon Secretary of State's office maintains a web site which lists all initiative petitions which have been submitted to that office. The address of that web site is [www.sos.state.or.us](http://www.sos.state.or.us), then select Elections, then Initiative, Referendum and Referral Information. This inactive textual reference to the website is not a hyperlink and the website, by such reference, is not incorporated herein.

### Referendum Petitions And Legislative Referrals

Within 90 days after the end of a legislative session, any person may file a petition seeking to have any act passed by the Legislative Assembly that does not become effective earlier than 90 days after the end of the legislative session referred to the voters for their approval or rejection at the next general election, or at a special election provided for by the Legislative Assembly. To place a proposed referendum on the ballot, the proponents must submit to the Secretary of State within 90 days after the end of the legislative session referendum petitions signed by the number of qualified voters equal to four percent of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2014 general election, that requirement was 58,789 signatures. Any elector may sign a referendum petition for any measure on which the elector is entitled to vote. An act approved by the voters through the referendum process becomes effective 30 days after the date of the election at which it was approved. A referendum on part of an act does not prevent the remainder of the act from becoming effective as provided in the act.

Two referrals and one referendum appeared on the November 4, 2014 ballot. One (Measure 87), was approved by voters. Each are listed below. A detailed review of each referral is available from the Oregon Secretary of State Elections Division.

1. Measure 86 amends the Oregon Constitution to require the creation of a fund for Oregonians pursuing post-secondary education, and authorizes state indebtedness to finance the fund.
2. Measure 87 amends the Oregon Constitution to permit employment of state Judges by National Guard (military service) and state public universities (teaching).
3. Measure 88 provides Oregon resident "driver card" without requiring proof of legal presence in the United States.

**City Charter**

In addition to statutory and constitutional changes by the Legislative Assembly and the initiative and referendum process, the independent basis of legislative authority has been granted to cities in Oregon by municipal charters. A copy of the City Charter is available upon request from the City.

**Protection of Rate Covenants**

The obligation to comply with rate covenants despite subsequently approved conflicting initiative petitions has been tested in the courts and is also the subject of recent legislation. In *AMBAC Indemnity Corporation v. City of Oregon City*, Civil No. 96-865-JO, the United States District Court in Portland, Oregon considered a case in which Oregon City voters approved a ballot measure in 1996 that rolled back electric rates to those that had been in effect in 1994 and prohibited future rate increases without voter approval. Plaintiffs alleged that the measure violated existing rate covenants with respect to outstanding electric revenue bonds, and the District Court agreed. The court ruled, with respect to holders of outstanding bonds, that the rollback of rates and prohibition on rate increases substantially impaired the contractual relationship between Oregon City and its bondholders. The court based its finding on testimony that alternative revenue sources were not sufficient, and that the city would be unable to make debt service payments if it could not raise rates. The measure was therefore a substantial impairment of an existing contract.

In addition to the above ruling, the Oregon Legislative Assembly approved House Bill 2181, a statutory amendment which, among other things, provides additional protection for revenue pledges securing bonds or other obligations. House Bill 2181 was signed by the Governor of the State of Oregon on May 25, 1997. In relevant part, House Bill 2181 amended Oregon Revised Statutes 288.594 (now ORS 287A.325) and provides that any initiative or referendum measure which changes statutory or charter provisions affecting rates, fees, tolls, rental or other charges will not be given effect if to do so would impair existing covenants regarding the imposition, levy or collection of such rates, fees, tolls, rentals or other charges pledged to secure outstanding bonds or other obligations.

**CONTINUING DISCLOSURE**

Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”) requires annual disclosure of current financial information and timely disclosure of certain events with respect to the Series 2016 Bonds. Pursuant to the Rule, EWEB has agreed to provide the Municipal Securities Rulemaking Board audited financial information of EWEB and certain financial information or operating data. In addition, EWEB has agreed to provide the Municipal Securities Rulemaking Board and notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule.

A copy of EWEB’s Continuing Disclosure Certificate is attached hereto as Appendix D.

**POSSIBLE CHANGES IN FEDERAL TAX LAW**

From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of the interest on the Series 2016 Bonds, and thus on the economic value of the Series 2016 Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Series 2016 Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Series 2016 Bonds may be proposed or enacted.

**TAX MATTERS****Federal Income Taxes**

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2016 Bonds for interest thereon to be and remain excluded from gross income for

Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2016 Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2016 Bonds. Pursuant to the Resolution and the Tax Certificate to be executed in connection with the initial issuance and delivery of the Series 2016 Bonds (the “Tax Certificate”), EWEB has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2016 Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, EWEB has made certain representations and certifications in the Resolution and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Mersereau Shannon LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by EWEB described above, interest on the Series 2016 Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2016 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

### **State Taxes**

Bond Counsel is also of the opinion that interest on the Series 2016 Bonds is exempt from personal income taxes of the State of Oregon under existing law. Bond Counsel expresses no opinion as to other State of Oregon or local tax consequences arising with respect to the Series 2016 Bonds nor as to the taxability of the Series 2016 Bonds or the income therefrom under the laws of any state other than State of Oregon.

### **Original Issue Discount**

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2016 Bonds maturing \_\_\_\_\_ (collectively the “Discount Bonds”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2016 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

### **Original Issue Premium**

The Series 2016 Bonds maturing \_\_\_\_\_ (collectively, the “Premium Bonds”) are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

### **Ancillary Tax Matters**

Ownership of the Series 2016 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned

income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2016 Bonds.

Bond Counsel is not rendering any opinion as to any Federal tax matters other than those described under the caption “TAX MATTERS.” Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2016 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

### **Changes In Law And Post Issuance Events**

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2016 Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Series 2016 Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2016 Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2016 Bonds may occur. Prospective purchasers of the Series 2016 Bonds should consult their own tax advisors regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2016 Bonds may affect the tax status of interest on the Series 2016 Bonds. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Series 2016 Bonds, or the interest thereon, if any action is taken with respect to the Series 2016 Bonds or the proceeds thereof upon the advice or approval of other counsel.

## **LITIGATION**

There is no litigation or other proceedings pending, or to the knowledge of EWEB, threatened, questioning the existence of EWEB, or the title of the officers of EWEB to their respective offices, or restraining or enjoining the issuance, sale or delivery of the Series 2016 Bonds or in any way questioning or affecting the validity of any provision of the Series 2016 Bonds, the Resolution, or the power and authority of EWEB to issue the Series 2016 Bonds or to fix rates and collect charges for water furnished by EWEB.

EWEB is involved in various litigation relating to its operations. In the opinion of management, the ultimate outcome of these claims will not have a material effect on EWEB's financial position beyond amounts already accrued as of December 31, 2015.

### **APPROVAL OF LEGAL PROCEEDINGS**

Mersereau Shannon LLP, Bond Counsel, will render an opinion with respect to the validity of the Series 2016 Bonds. The form of the approving opinion Bond Counsel proposes to render is appended hereto as Appendix A.

### **POTENTIAL CONFLICTS OF INTEREST**

Some or all of the fees of the Underwriter, Underwriter's Counsel, Financial Advisor, and Bond Counsel are contingent upon the issuance and sale of the Bonds. From time to time, Bond Counsel serves as counsel to the Financial Advisor in transactions unrelated to the issuance and sale of the Bonds. From time to time, Underwriter's Counsel serves as counsel to the Financial Advisor in matters unrelated to the issuance and sale of the Bonds.

## **RATINGS**

Moody's, Standard & Poor's and Fitch have assigned ratings of “\_\_\_”, “\_\_\_” and “\_\_\_”, respectively, to the Series 2016 Bonds. In general, a rating agency bases its rating on presentation materials furnished to them, which may include information that is not included in this Official Statement, and on the rating agency's own investigations, studies and assumptions, including independent calculations of debt service coverage and other metrics. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance

such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2016 Bonds.

### **FINANCIAL ADVISOR**

Piper Jaffray & Co., has served as financial advisor to EWEB in connection with issuance of the Series 2016 Bonds.

### **UNDERWRITING**

The Series 2016 Bonds are to be purchased by the Underwriters at a price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Series 2016 Bonds, plus a net original issue premium of \$\_\_\_\_\_, less an underwriters' discount of \$\_\_\_\_\_). The Bond Purchase Agreement between EWEB and the Underwriters provides that the Underwriters will purchase all of the Series 2016 Bonds if any are purchased and that the purchasers of the Series 2016 Bonds are subject to the conditions set forth in that Bond Purchase Agreement.

The Underwriters may offer and sell the Series 2016 Bonds to certain dealers or unit investment trusts and money market or other funds and others at lower prices than the initial offering prices corresponding to the yields set forth on the cover, and such initial offering prices may be changed from time to time by the Underwriters without notice.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of EWEB. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of EWEB.

### **PRELIMINARY OFFICIAL STATEMENT**

EWEB has deemed this Preliminary Official Statement final as of its date pursuant to Securities and Exchange Commission Rule 15c2-12, except for the omission of information with respect to the offering and sale of the Series 2016 Bonds dependent upon the pricing of the issue such as offering prices, interest rates, yields to maturity, selling compensation, aggregate principal amount, delivery date, ratings, insurance provisions, and other terms of the Series 2016 Bonds depending on such matters.

*[Remainder of page intentionally left blank.]*

**MISCELLANEOUS**

The references, excerpts and summaries contained herein of the documents referred to herein do not purport to be complete statements of the provisions thereof and reference should be made to such documents for a full and complete statement of all matters relating thereto, and the rights and obligations of the holders thereof. The authorizations, agreements and covenants of EWEB are set forth in such documents, and neither this Official Statement nor any advertisement of the Series 2016 Bonds is to be construed as a contract with the owners of the Series 2016 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so identified, are intended merely as such and not representations of fact.

The execution of this Official Statement has been duly authorized by EWEB on behalf of the City of Eugene, Oregon.

**EUGENE WATER & ELECTRIC BOARD**

---

By: Susan Fahey  
Finance Manager

APPENDIX A – FORM OF OPINION OF BOND COUNSEL

APPENDIX B – FINANCIAL STATEMENTS FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND DECEMBER 31, 2014



APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE MASTER RESOLUTION

APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E – THE DEPOSITORY TRUST COMPANY