**PRELIMINARY OFFICIAL STATEMENT DATED APRIL 3, 2012**

**NEW ISSUE – COMPETITIVE via PARITY** | **SALE DATE: April 12, 2012**
**BOOK-ENTRY ONLY** | **RATING: Moody's Aa1**

*In the opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel to the City ("Bond Counsel"), interest on the 2012 Series A Bonds is not excludable from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest on the 2012 Series A Bonds is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.*

# City of Portland, Oregon
# $12,000,000*
# Limited Tax Revenue Bonds
# 2012 Series A
# JELD-WEN Field Project
# (Federally Taxable)

## BASE CUSIP: 736740

**Dated:** Date of Delivery | **DUE:** June 1, as shown on inside cover

The City of Portland, Oregon, Limited Tax Revenue Bonds, 2012 Series A, JELD-WEN Field Project, (Federally Taxable) (the "2012 Series A Bonds") will be issued in registered book-entry form only, in denominations of $5,000 or integral multiples thereof. The 2012 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2012 Series A Bonds. While Cede & Co. is the registered owner of the 2012 Series A Bonds (the "Owner") as nominee of DTC, references herein to the Bondowners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2012 Series A Bonds. See "Book-Entry System" herein.

The 2012 Series A Bonds will bear or accrue interest rates as set forth on the inside cover. The 2012 Series A Bonds will be dated as of the Date of Delivery. Interest on the 2012 Series A Bonds will be payable semiannually on June 1 and December 1 of each year, beginning December 1, 2012.

Proceeds of the 2012 Series A Bonds will be used to repay the balance on a line of credit for the JELD-WEN Field Project and to pay costs of issuance.

The 2012 Series A Bonds are payable from all legally available funds of the City. The City has pledged its full faith and credit to pay the 2012 Series A Bonds. See "SECURITY" herein.

The 2012 Series A Bonds are subject to optional redemption prior to maturity. See "Redemption of the 2012 Series A Bonds" herein.

*The 2012 Series A Bonds are offered when, as and if issued by the City and accepted by the successful bidder, subject to prior sale, withdrawal or modification of the offer without notice, to the final approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel, and to certain other conditions. The City expects that the 2012 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about April 24, 2012.*

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* Preliminary, subject to change.

**MATURITY SCHEDULE***

**$12,000,000***

**CITY OF PORTLAND, OREGON**
**LIMITED TAX REVENUE BONDS**
**2012 SERIES A**
**JELD-WEN FIELD PROJECT**
**(FEDERALLY TAXABLE)**

| Due June 1 | Principal Amount* | Interest Rate | Price or Yield | CUSIP No. (1) 736740 |
|---|---|---|---|---|
| 2013 | $ 0 | % | % | |
| 2014 | 0 | | | |
| 2015 | 0 | | | |
| 2016 | 0 | | | |
| 2017 | 0 | | | |
| 2018 | 0 | | | |
| 2019 | 0 | | | |
| 2020 | 0 | | | |
| 2021 | 0 | | | |
| 2022 | 0 | | | |
| 2023 | 0 | | | |
| 2024 | 2,805,000 | | | |
| 2025 | 2,925,000 | | | |
| 2026 | 3,065,000 | | | |
| 2027 | 3,205,000 | | | |

(1) Registered Trademark 2012, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies.

* Preliminary, subject to change.

# OFFICIAL STATEMENT

# OF THE

# CITY OF PORTLAND, OREGON

## $12,000,000*
## LIMITED TAX REVENUE BONDS
## 2012 SERIES A
## JELD-WEN FIELD PROJECT
## (FEDERALLY TAXABLE)

**CITY COUNCIL**

Sam Adams,
Mayor and Commissioner of Finance and Administration

Amanda Fritz, Commissioner No. 1
Nick Fish, Commissioner No. 2
Dan Saltzman, Commissioner No. 3
Randy Leonard, Commissioner No. 4

**CITY OFFICIALS**

LaVonne Griffin-Valade, City Auditor
Jennifer Cooperman, City Treasurer
James H. Van Dyke, City Attorney

Jack D. Graham, Chief Administrative Officer
Richard F. Goward, Jr., Chief Financial Officer

**DEBT MANAGEMENT**

B. Jonas Biery, Debt Manager
City of Portland
1120 SW Fifth Avenue, Room 1250
Portland, Oregon 97204
Phone: (503) 823-4222
Fax: (503) 823-4209
Jonas.Biery@portlandoregon.gov

**BOND COUNSEL**

Hawkins Delafield & Wood LLP
Portland, Oregon

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* Preliminary, subject to change.

CITY OF PORTLAND, OREGON
1851

No dealer, broker, salesperson or other person has been authorized by the City of Portland (the "City") to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Bond Counsel's review of this document is limited; see "Legal Matters" herein. This Official Statement has been deemed final as of its date by the City pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

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

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the 2012 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. In making an investment decision, potential investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. **In connection with this offering, the successful bidder may over allot or effect transactions which stabilize or maintain the market price of the 2012 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued, and if discontinued, then recommenced, at any time.**

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**APPENDICES**

**OFFICIAL NOTICE OF BOND SALE**

**$12,000,000***
**City of Portland, Oregon**
**Limited Tax Revenue Bonds, 2012 Series A**
**JELD-WEN Field Project**
**(Federally Taxable)**

NOTICE IS HEREBY GIVEN that the City of Portland, Oregon (the "City") is soliciting bids to purchase its Limited Tax Revenue Bonds, 2012 Series A, JELD-WEN Field Project (Federally Taxable) (the "Bonds") until 9:00 a.m. (Prevailing Pacific Time) on:

**April 12, 2012.**

Bids must be submitted electronically via ***PARITY*** in accordance with this Notice in the manner described below.

SECURITY: The Bonds shall be full faith and credit obligations of the City. The Bonds are payable from any legally available funds of the City.

RATING: Moody's Investors Service has assigned a rating on the Bonds of "Aa1."

DATED DATE AND DELIVERY DATE: The Bonds will be dated as of their date of delivery. Bidders should use April 24, 2012, the expected delivery date of the Bonds, for purposes of computing their bids.

INTEREST PAYMENTS AND MATURITIES: Interest on the Bonds is payable semiannually on June 1 and December 1 of each year until maturity commencing December 1, 2012. The Bonds will be issued in the principal amount of $12,000,000*, and will mature on the following dates in the following principal amounts (subject to adjustment as noted below).

| Due June 1 | Principal Amount ($)* |
|---|---|
| 2024 | 2,805,000 |
| 2025 | 2,925,000 |
| 2026 | 3,065,000 |
| 2027 | 3,205,000 |

ADJUSTMENT OF MATURITIES: The City reserves the right to adjust the principal amount specified in the bidding maturity schedule within 4 hours following receipt of bids to properly size the issue. If the City adjusts the principal amount, the price to be paid to the City by the successful bidder will be adjusted in a manner that preserves the successful bidder's percentage net compensation. Notice of any adjustment will be given to the winning bidder promptly.

TERM BONDS: Bidders may designate one or more term bonds, which consist of two or more consecutive maturities with identical interest rates, which mature on the maturity date of the last of the consecutive maturities in an amount equal to the sum of the consecutive maturities, and which are subject to mandatory redemption at par and in amounts equal to the consecutive maturities which were combined into term bonds. Each bidder should specify in its bid whether term bonds are desired.

OPTIONAL REDEMPTION: The City reserves the right to redeem Bonds prior to their stated maturity dates, as a whole or in part, on any business day, at the "Make-Whole Redemption Price," plus accrued and unpaid interest on the Bonds to be redeemed on the date fixed for redemption.

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* Preliminary, subject to change.

The “Make-Whole Redemption Price” is further described in the preliminary official statement for the Bonds in the section “DESCRIPTION - Redemption of the 2012 Series A Bonds.”

SELECTION OF BONDS FOR REDEMPTION: The selection of Bonds for mandatory or optional redemption shall be as described in the preliminary official statement for the Bonds in the section “DESCRIPTION - Selection for Redemption.”

RIGHT TO CANCEL, CHANGE TIMING AND TERMS OF SALE: The City reserves the right to change the date, maturity schedule, amount, timing, terms under which the Bonds are offered for sale, to postpone the sale to a later date, to cancel the sale based upon market conditions or other factors, or to amend this Notice by posting changes to this Notice on i-Deal Prospectus and by placing a notice of the changes on Thomson Muni News on Thomson Municipal Market Monitor (www.tm3.com) prior to the sale.

INTEREST RATE CONSTRAINTS: Bidders must specify the interest rate or rates which the Bonds shall bear. The bids must comply with the following conditions: (1) no bid will be accepted which results in a true interest cost of more than six percent (6.00%) per annum; (2) each interest rate specified in any bid must be a multiple of one one-thousandth of one percent (0.001%); (3) each Bond that matures on the same date shall bear interest from its date to its stated maturity date at a single, fixed interest rate; (4) the maximum interest rate per maturity of the Bonds shall not exceed six and one-half percent (6.50%); and (5) no bid will be considered that does not offer to purchase all of the maturities of the Bonds.

PURCHASE PRICE: Bidders must specify a purchase price of not less than ninety nine percent (99.00%) of the aggregate principal amount of the Bonds.

BASIS OF AWARD: Unless all bids are rejected, the Bonds will be awarded to the bidder whose bid produces the lowest overall true interest cost for the City. The true interest cost for the Bonds will be determined by doubling the semi-annual interest rate necessary to discount the debt service on the Bonds to the expected delivery date of the Bonds, as described in “DATED DATE AND DELIVERY DATE” above, and to the aggregate purchase price bid for the Bonds. Each bidder is requested to supply the total interest cost and the true interest cost that the City will pay on the Bonds if the bid is accepted. Bids will be publicly announced and will be considered and acted upon by the City within 4 hours after the sale.

BIDS MUST BE SUBMITTED ON “PARITY”: Bids must be submitted electronically via ***PARITY***. Bids must be received by the ***PARITY*** system not later than the date and time indicated in the first paragraph of this Notice. No bid will be received after the time for receiving bids specified above. For further information about submitting a bid using ***PARITY***, potential bidders may contact ***PARITY*** at (212) 849-5021. To the extent any instructions or directions set forth in ***PARITY*** conflict with this Notice, the terms of this Notice shall control. Bidders electing to submit bids through ***PARITY*** must obtain access to the ***PARITY*** system and bear all risks associated with using that system, including errors and delays in receipt of bids. In the event there are any technical problems associated with ***PARITY***, ***PARITY*** may fax bids that it receives prior to 9:00 a.m. (Prevailing Pacific Time), as soon as practicable to (503) 823-4209 to the attention of Jonas Biery, the City’s Debt Manager, for consideration by the City. Bids received by ***PARITY*** prior to 9:00 a.m. (Prevailing Pacific Time), but faxed after 9:00 a.m. (Prevailing Pacific Time) as provided in the preceding sentence, shall be considered conforming to the time requirements of this Notice.

GOOD FAITH DEPOSIT: The winning bidder must provide a good faith deposit to the City in the amount of $240,000 not later than 1:00 p.m. Prevailing Pacific Time, April 12, 2012 (the date of sale). The deposit must be provided in the form of (a) a wire transfer to the account of the City designated by the City at the time of award, or (b) a certified or cashier’s check drawn on a bank doing business in the State of Oregon. If the good faith deposit is not provided in the manner and by the time indicated in this Notice, the City may award the sale to the next most favorable bidder or may cancel the sale. The good faith deposit will be forfeited to the City as liquidated damages if the bidder to whom the Bonds are awarded withdraws its bids or fails to complete its purchase in accordance with the terms of its bid and this Notice. No interest will be allowed on the good faith deposit and the good faith deposit will be retained as part payment of the Bonds or for liquidated damages as described in this Notice. The City shall be entitled to retain for the sole and exclusive use and benefit of the City all investment earnings derived from each good faith deposit prior to the delivery of the Bonds, and in no event shall the winning bidder be entitled to any such investment earnings (whether by means of a credit or otherwise).

RIGHT OF REJECTION: The City reserves the right to reject any or all bids and to waive any irregularities.

BOOK-ENTRY-ONLY: The Bonds will be issued in registered, book-entry-only form through DTC. Unless the book-entry-only system is discontinued, Bond principal and interest payments will be made by the City to DTC through the City's paying agent and registrar, which is currently U.S. Bank National Association

STANDARD FILINGS AND CHARGES: The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to Municipal Securities Rulemaking Board ("MSRB") Rules G-8, G-11, and G-36. The winning bidder will be required to pay the standard MSRB charge for the Bonds purchased. In addition, if the winning bidder is a member of the Securities Industry and Financial Markets Association ("SIFMA") it will be required to pay SIFMA's standard charges.

PURPOSE: The Bonds are being issued to pay for a portion of the costs of the City's JELD-WEN Field, and to pay costs of issuance of the Bonds.

LEGAL OPINION: The approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, of Portland, Oregon, will be provided at no cost to the purchasers.

TAX STATUS**:** In the opinion of Bond Counsel, under existing law interest on the Bonds is not excludable from gross income for federal income tax purposes. In the opinion of Bond Counsel, interest on the Bonds is exempt from Oregon personal income tax under existing law.

DELIVERY AND PAYMENT: The City will deliver the Bonds through the facilities of DTC. The winning bidder must pay for the Bonds in funds immediately available to the City on the date and at the time of closing. Delivery of the Bonds will be made within thirty days after the sale and is expected to occur on April 24, 2012.

ADDITIONAL INFORMATION AND PRELIMINARY OFFICIAL STATEMENT: Additional information and the preliminary official statement for the Bonds will be provided upon request to Jonas Biery, Debt Manager, at the City's Office of Management and Finance, 1120 SW Fifth Avenue, Room 1250, Portland, Oregon 97204, telephone (503) 823-4222, telecopier (503) 823-4209, e-mail Jonas.Biery@portlandoregon.gov. The preliminary official statement for the Bonds may also be obtained from i-Deal Prospectus at www.i-dealprospectus.com. For more information on electronic delivery, please call i-Deal Prospectus at 212-849-5024. Any questions concerning ***PARITY*** should be directed to (212) 849-5021.

FINAL OFFICIAL STATEMENT; COMPLIANCE WITH SEC RULES: The City will distribute the final official statement through i-Deal Prospectus. In addition, the City will provide the winning bidder with up to 150 copies of the final official statement for the Bonds at the expense of the City, promptly after the request is received and the official statement is published through i-Deal

Prospectus. Upon request, the City will provide additional copies of the final official statement at the expense of the bidder making the request. The official statement will be published through i-Deal Prospectus in a form "deemed final" by the City, not later than three business days prior to the anticipated delivery date of the Bonds. Bidders should expect that the official statements will not be available prior to the seventh business day following the date of the sale, and should not issue confirmations which request payment prior to that date. This paragraph will constitute a contract with the winning bidder upon acceptance of their bids by the City, in compliance with Section 240.15c2-12(b)(3) in Chapter II of Title 17 of the Code of Federal Regulations (the "Rule").

CONTINUING DISCLOSURE: The City will enter into an undertaking to provide ongoing disclosure for the benefit of the owners of the Bonds as required by the Rule, in substantially the form shown in the preliminary official statement for the Bonds.

CUSIP: The City will obtain CUSIP numbers for the Bonds.

CLOSING CERTIFICATES: At the time of payment for the delivery of the Bonds, the City will certify that no litigation is pending that may adversely affect the validity of the Bonds, and that to the City's knowledge the official statement does not contain any material misstatements or omissions.

By order of the City of Portland, Oregon

# OFFICIAL STATEMENT
# OF THE
# CITY OF PORTLAND, OREGON
# RELATED TO

## $12,000,000*
## LIMITED TAX REVENUE BONDS
## 2012 SERIES A
## JELD-WEN FIELD PROJECT
## (FEDERALLY TAXABLE)

## INTRODUCTION

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the "City") and its Limited Tax Revenue Bonds, 2012 Series A, JELD-WEN Field Project, (Federally Taxable) (the "2012 Series A Bonds").

## THE 2012 SERIES A BONDS

### AUTHORIZATION AND PURPOSE

The City is authorized to issue the 2012 Series A Bonds pursuant to City Ordinance No. 183070 adopted by the City Council on August 5, 2009, (the "Ordinance"), Oregon Revised Statutes Section 287A.150, and the Bond Declaration. Proceeds of the 2012 Series A Bonds will be used to repay the balance on a line of credit established to provide interim financing for the City's share of costs for the renovation of JELD-WEN Field to accommodate Major League Soccer. See Appendix A for the Bond Declaration and "ESTIMATED SOURCES AND USES OF BOND PROCEEDS" herein.

### SECURITY

The City has pledged its full faith and credit to pay the 2012 Series A Bonds, and the City is obligated to pay the 2012 Series A Bonds from Available General Funds as defined in the Bond Declaration pursuant to which the 2012 Series A Bonds will be issued (the "Bond Declaration"). "Available General Funds" is defined under the Bond Declaration as revenues which are legally available to pay the 2012 Series A Bonds and not prohibited for such use under the charter and ordinances of the City and Oregon laws, and includes all taxes and other legally available general funds of the City. The City is not authorized to levy additional taxes to pay the 2012 Series A Bonds.

Certain City revenues credited to the City's General Fund are legally available to pay the 2012 Series A Bonds. A principal source of these General Fund revenues is the City's permanent tax rate property tax levy. In FY 2010-11, revenues from that levy (including current and prior year collections) were approximately $192.4 million, after delinquencies. See "ANNUAL DISCLOSURE INFORMATION – FINANCIAL OPERATIONS – Table 3" herein.

The 2012 Series A Bonds are expected to be repaid with revenues of the City's Spectator Facilities Fund. Revenues of the Spectator Facilities Fund are not pledged to the 2012 Series A Bonds.

### DESCRIPTION

The 2012 Series A Bonds will be issued in book-entry form only, in registered form in denominations of $5,000 or integral multiples thereof. The 2012 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co., as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchasers of the 2012 Series A Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2012 Series A Bonds. While Cede & Co. is the registered Owner of the 2012 Series A Bonds (in such capacity, the "Owner") as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2012 Series A Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2012 Series A Bonds) all rights as Owner, including but not limited to the right to give consents, the right to receive notices (including notices of redemption), and other rights conferred

* Preliminary, subject to change.

on owners of the 2012 Series A Bonds under the Bond Declaration or applicable law. So long as the 2012 Series A Bonds are subject to the Book-Entry System, all registrations and transfers of Beneficial Ownership of the 2012 Series A Bonds will be made only through the Book-Entry System. See "BOOK-ENTRY SYSTEM" in Appendix E herein.

The 2012 Series A Bonds will be dated as of the Date of Delivery, and will bear interest at the rates and mature in the amounts and on the dates set forth on the cover page of this Official Statement. Interest on the 2012 Series A Bonds is payable on December 1, 2012, and semi-annually thereafter on June 1 and December 1 of each year, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

**PAYMENT OF THE 2012 SERIES A BONDS WHILE IN BOOK-ENTRY SYSTEM**

So long as the 2012 Series A Bonds are subject to the Book-Entry System, all payments of the principal of and interest on the 2012 Series A Bonds shall be remitted by the Registrar and Paying Agent, currently U.S. Bank National Association (the "Paying Agent") directly to DTC. DTC, in turn, will be required to distribute such payments to DTC Participants, and the DTC Participants will be responsible for ultimate distribution of such payments to the Beneficial Owners of the 2012 Series A Bonds. The City has no responsibility for the distribution of any payments on the 2012 Series A Bonds by DTC to any DTC Participant or by any DTC Participant to any Beneficial Owner, and shall have no liability whatsoever in the event of any failure by DTC or a DTC Participant to make any such distribution. See "BOOK-ENTRY SYSTEM" in Appendix E herein.

**REDEMPTION OF THE 2012 SERIES A BONDS**

The 2012 Series A Bonds are subject to optional redemption by the City prior to their stated maturity dates, as a whole or in part, on any business day, at the "Make-Whole Redemption Price," plus accrued and unpaid interest on the 2012 Series A Bonds to be redeemed on the date fixed for redemption.

The "Make-Whole Redemption Price" is the greater of (i) 100 percent of the principal amount of the 2012 Series A Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2012 Series A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2012 Series A Bonds are to be redeemed, discounted to the date on which the 2012 Series A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" defined below, plus 25 basis points.

"Treasury Rate" means, with respect to any redemption date for a particular 2012 Series A Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a 2012 Series A Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the2012 Series A Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2012 Series A Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a 2012 Series A Bond:

(1) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m. New York City time, on the Valuation Date; or

(2) if the yield described in (1) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the City.

"Reference Treasury Dealer" means each of four firms, specified by the City from time to time, that are primary United States Government securities dealers in the City of New York (each, a "Primary Treasury Dealer"); provided, that if any of them ceases to be a Primary Treasury Dealer, the City is to substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a 2012 Series A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

"Valuation Date" means a date selected by the City which is at least three (3) Business Days but not more than twenty (20) calendar days prior to the date the Paying Agent is required to give notice of redemption.

**Selection for Redemption**

In the case of redemptions of 2012 Series A Bonds at the option of the City, the City will select the maturities of the 2012 Series A Bonds to be redeemed.

If the 2012 Series A Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the 2012 Series A Bonds shall be effected by the Paying Agent among owners on a pro-rata basis subject to minimum Authorized Denominations. The particular 2012 Series A Bonds to be redeemed shall be determined by the Paying Agent, using such method as it shall deem fair and appropriate.

If the 2012 Series A Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2012 Series A Bonds, if less than all of the 2012 Series A Bonds of a maturity are called for prior redemption, the particular 2012 Series A Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the 2012 Series A Bonds are held in book-entry form, the selection for redemption of such 2012 Series A Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Paying Agent pursuant to DTC operational arrangements. If the Paying Agent does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the 2012 Series A Bonds will be selected for redemption in accordance with DTC procedures by lot.

It is the City's intent with respect to the 2012 Series A Bonds that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. However, the City can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the 2012 Series A Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the 2012 Series A Bonds will be selected for redemption in accordance with DTC procedures by lot.

**Notice of Redemption**

Unless DTC consents to a shorter period, for any 2012 Series A Bonds which are in book-entry-only form, the Paying Agent shall notify DTC not less than 20 days prior to the date fixed for redemption or such lesser time as may be permitted under DTC's operational arrangements then in effect, and in the manner required in the city's Letter of Representations to DTC. No other notice shall be required.

It shall be the sole responsibility of DTC to give all notices of redemption to DTC Participants, and the DTC Participants, in turn, shall be responsible for giving such notices to the Beneficial Owners. Neither the City nor the Paying Agent will be responsible for giving any notice of redemption to any Beneficial Owner or any DTC Participant, nor shall the City or the Paying Agent be liable for any failure of DTC or any DTC Participant to give any such notice as described above. Interest on any 2012 Series A Bond or 2012 Series A Bonds called for redemption shall cease on the redemption date designated in the notice.

**Conditional Notice of Redemption**

Any notice of optional redemption to the Paying Agent or to the Owners may state that the optional redemption is conditioned upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2012 Series A Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and the

Bond Declaration provides that any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The Bond Declaration requires notice of such rescission or of the failure of any such condition to be given by the Paying Agent to affected Owners of 2012 Series A Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

**Effect of Notice of Redemption**

The Bond Declaration provides that official notice of redemption having been given (other than conditional notices of optional redemption as described above), the 2012 Series A Bonds or portions of 2012 Series A Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless the City fails to pay the redemption price) such 2012 Series A Bonds or portion of 2012 Series A Bonds shall cease to bear interest.

## ESTIMATED SOURCES AND USES OF FUNDS

The anticipated uses of proceeds from the 2012 Series A Bonds are itemized in the following table:

**Table 1**
**CITY OF PORTLAND, OREGON**
**Estimated Sources and Uses of Funds**

| | |
|---|---|
| **SOURCES OF FUNDS** | |
| Par amount of bonds | |
| Net original issue premium/(discount) | |
| Total sources of funds | |
| **USES OF FUNDS** | |
| Repayment of line of credit | |
| Underwriter's discount | |
| Issuance costs | |
| Total uses of funds | |

Source: City of Portland.

**DEBT SERVICE SCHEDULE FOR BONDS 2012 SERIES A BONDS**

The following table presents the debt service schedule for the 2012 Series A Bonds.

**Table 2**
**CITY OF PORTLAND, OREGON**
**Scheduled Debt Service on the 2012 Series A Bonds**

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2013 | | | |
| 2014 | | | |
| 2015 | | | |
| 2016 | | | |
| 2017 | | | |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| Total | | | |

Source: City of Portland.

# ANNUAL DISCLOSURE INFORMATION

*In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, §.15c2-12), the City will provide annually the updated historical financial information and operating data of the type presented in this section entitled "ANNUAL DISCLOSURE INFORMATION" to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, so long as the MSRB approves of its use. See Appendix D, "Continuing Disclosure Certificate" herein.*

## FINANCIAL OPERATIONS

### Basis of Accounting

The governmental fund types, expendable trust funds and agency funds are maintained on the modified accrual basis of accounting. The accounting practices of the City conform to generally accepted accounting principles.

### Fiscal Year

July 1 to June 30.

### Audits

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. Moss Adams LLP has performed auditing services for FY 2002-03 through FY 2010-11.

A complete copy of the City's FY 2010-11 audit is available on the City's web site at http://www.portlandonline.com/omf/index.cfm?c=57772. The City's web site is listed for reference only, and is not part of this Official Statement. Excerpts of the City's audited financial statements for the City's General Fund on a Generally Accepted Accounting Principles (GAAP) basis are found in Appendix B.

## FINANCIAL REPORTING

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

## GENERAL FUND

### Overview

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

### No Material Liens

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

## General Fund Revenues

Major categories of revenues that are accounted for in the General Fund are described below. Table 3, excerpted from the City's annual financial statements, presents a Schedule of Revenues and Expenditures on a budgetary basis.

**Taxes.** Taxes consist of two categories: property taxes and transient lodging taxes. Property taxes constitute the largest revenue source, representing nearly 46 percent of total General Fund revenues in FY 2010-11. Property taxes consist of current year and prior year property taxes collected from the City's $4.577/$1,000 permanent rate levy ($192.4 million). See "PROPERTY TAX AND VALUATION INFORMATION – Section 11 – Permanent Tax Rate" herein.

The transient lodging tax is a tax on transient lodgers, which are daily or weekly renters at hotels, motels and other lodging establishments. Beginning April 1, 2000, the tax rate within Multnomah County is 11.5 percent. Of the 11.5 percent transient lodging tax collected within the City, 6.0 percent is allocated to the City, with 5.0 percent going to the City's General Fund and 1.0 percent going to Travel Portland (formerly the Portland Visitors Association). The remaining 5.5 percent is allocated to Multnomah County. Transient lodging taxes were 3.8 percent of General Fund revenues in FY 2010-11, or $16.0 million.

**Licenses and Permits.** Licenses and permits represented $124 million, or 29.4 percent of the General Fund revenues, in FY 2010-11. Within this category are business license fee revenues collected from firms doing business within the City. The City's business license fee is based upon net apportioned income, and must be paid in advance for each year of business. Utility license fees, which are paid by public utilities such as electric, natural gas, communications, and cable providers, doing business in Portland, are another major revenue source. Additionally, utility license fee revenues are derived from fees charged to their customers by the City's water and sewer utilities.

**Intergovernmental Revenues.** Intergovernmental revenues (6.0 percent of the FY 2010-11 General Fund revenues, or about $25.4 million) consist largely of State-shared revenues (including taxes on cigarettes and liquor), and also include revenues from Multnomah County and other local governments for their shares of expenses of specific programs or activities that are administered by the City. The City (along with the State and Multnomah County) also receives a share of revenues from traffic court fines, classified as local shared revenues.

**Charges for Services.** Charges for services were $17.5 million, or 4.2 percent of General Fund revenues in FY 2010-11. This category includes rents and reimbursements received for use of City-owned property such as City Hall, JELD-WEN Field and other facilities, and parks and recreation facilities fees.

**Other Sources.** The General Fund receives revenues from a variety of other sources. Approximately 4.9 percent of its revenues are received from City bureaus and agencies related to specific services that are paid from this fund. Additionally, all bureaus whose programs are supported by the General Fund pay a share of centralized service or overhead costs. In total, these overhead billings represented 5.1 percent of General Fund revenues in FY 2010-11. Other sources include investment earnings, payments in lieu of taxes, and General Fund intrafund revenue.

**Table 3**
**CITY OF PORTLAND, OREGON**
**Statement of General Fund Revenues and Expenditures**
**(Actual Results Reported on a Budgetary Basis)**

| | FY 2006-07 | FY 2007-08 | FY 2008-09 | FY 2009-10 | FY 2010-11 |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Taxes: | | | | | |
| Current/prior year property taxes | $167,687,976 | $175,172,471 | $180,169,233 | $188,611,104 | $192,368,379 |
| Lodging taxes | 14,605,568 | 16,372,997 | 19,643,852 | 14,224,430 | 16,011,008 |
| Total taxes | 182,293,544 | 191,545,468 | 199,813,085 | 202,835,534 | 208,379,387 |
| Licenses and permits: | | | | | |
| Business licenses, net | 75,758,543 | 76,517,913 | 68,824,823 | 59,803,972 | 65,624,418 |
| Public utility licenses | 46,999,857 | 51,258,950 | 51,768,928 | 54,753,844 | 54,296,377 |
| Other | 3,946,893 | 4,192,796 | 4,383,071 | 4,199,758 | 4,032,214 |
| Total licenses and permits | 126,705,293 | 131,969,659 | 124,976,822 | 118,757,574 | 123,953,009 |
| Intergovernmental | | | | | |
| Federal cost sharing | - | - | - | 53,413 | 95,210 |
| State sources | 11,986,454 | 11,861,607 | 12,933,508 | 12,157,719 | 12,772,716 |
| County sources | 3,906,601 | 2,839,361 | 1,914,850 | 1,495,290 | 1,443,044 |
| Local sources | 12,386,117 | 11,532,177 | 14,439,774 | 15,392,016 | 11,072,092 |
| Total intergovernmental | 28,279,172 | 26,233,145 | 29,288,132 | 29,098,438 | 25,383,062 |
| Charges for services: | | | | | |
| Rents and reimbursements | 3,217,317 | 3,759,621 | 3,921,430 | 3,809,186 | 3,959,316 |
| Parks and recreation facilities fees | 8,578,462 | 9,476,797 | 9,286,171 | 9,968,315 | 9,978,134 |
| Other | 5,061,122 | 6,038,568 | 4,459,423 | 4,262,094 | 3,606,476 |
| Total charges for services | 16,856,901 | 19,274,986 | 17,667,024 | 18,039,595 | 17,543,926 |
| Billings to other funds for services | 42,026,758 | 38,250,600 | 29,569,803 | 20,299,663 | 20,827,898 |
| Billings to other funds for general and overhead charges | 16,508,882 | 19,906,535 | 22,962,943 | 24,377,463 | 21,642,330 |
| Other | 11,356,416 | 11,986,794 | 7,043,626 | 4,553,645 | 3,855,850 |
| **TOTAL REVENUES** | $424,026,966 | $439,167,187 | $431,321,435 | $417,961,912 | $421,585,462 |

**Table 3 (continued)**
**CITY OF PORTLAND, OREGON**
**Statement of General Fund Revenues and Expenditures**
**(Actual Results Reported on a Budgetary Basis)**

| **EXPENDITURES** | **FY 2006-07** | **FY 2007-08** | **FY 2008-09** | **FY 2009-10** | **FY 2010-11** |
|---|---|---|---|---|---|
| Public Safety | $231,211,310 | $239,109,736 | $241,028,654 | $248,738,454 | $245,806,746 |
| Parks, Recreation and Culture | 58,189,332 | 59,059,863 | 59,185,906 | 61,537,488 | 58,513,350 |
| Community Development | 43,396,132 | 49,146,026 | 42,885,951 | 42,063,934 | 31,821,045 |
| Legislative/Admin. Support Services | 68,990,433 | 69,340,049 | 63,243,312 | 62,589,145 | 66,736,869 |
| Debt service and related costs | 240,755 | 2,039,003 | 2,065 | 4,916,113 | 5,318,785 |
| Capital outlay | 4,383,485 | 5,078,171 | 358,618 | 3,369,952 | 1,681,931 |
| **TOTAL EXPENDITURES** | 406,411,447 | 423,772,848 | 406,704,506 | 423,215,086 | 409,878,726 |
| **Revenues Over / (Under) Expenditures** | 17,615,519 | 15,394,339 | 24,616,929 | (5,253,174) | 11,706,736 |
| **OTHER FINANCING SOURCES/(USES)** | | | | | |
| Transfers from other funds | 43,422,486 | 34,635,650 | 27,178,016 | 26,512,123 | 25,060,023 |
| Transfers to other funds | (49,592,768) | (56,483,049) | (59,082,312) | (47,166,753) | (32,484,221) |
| Loans issued | - | - | - | - | 0 |
| Internal loan proceeds/remittances | - | - | - | (8,506,660) | 8,006,660 |
| Sale of capital asset | - | - | 1,202,998 | 6,787 | 5,653 |
| **TOTAL OTHER FINANCING SOURCES / (USES)** | (6,170,282) | (21,847,399) | (30,701,298) | (29,154,503) | 588,115 |
| **Net Change in Fund Balance** | 11,445,237 | (6,453,060) | (6,084,369) | (34,407,677) | 12,294,851 |
| **Beginning Fund Balance, Budgetary Basis** | 70,212,844 | 81,658,081 | 75,205,021 | 69,120,652 | 34,712,975 |
| **Ending Fund Balance, Budgetary Basis** | $81,658,081 | $75,205,021 | $69,120,652 | $34,712,975 | $47,007,826 |
| **Adjustments to GAAP basis:** | | | | | |
| General Reserve Fund budgeted as separate fund | $49,721,922 | $55,220,383 | $63,622,146 | $48,784,573 | $46,294,375 |
| Internal loans | - | - | - | 8,506,660 | 278,586 |
| Unrealized gain (loss) on investments – GASB 31 | (95,760) | 471,837 | 970,483 | (178,800) | 500,000 |
| Resources not available for spending: | | | | | |
| Petty cash | 42,570 | 42,550 | 42,145 | 47,000 | - |
| **Ending Fund Balance, GAAP basis** | $131,326,813 | $130,939,791 | $133,755,426 | $91,872,408 | $94,080,787 |

Source: City of Portland.

## CITY BUDGET PROCESS

The City prepares annual budgets for all its bureaus and funds in accordance with provisions of Oregon Local Budget Law. The law provides standard procedures for the preparation, presentation, administration, and public notice for public sector budgets. At the outset of the process, the Mayor or the full City Council reviews overall goals, establishes priorities, and provides direction to bureaus. The Council conducts an extensive public information process to obtain direct public input on City service priorities, and most bureaus include key stakeholders in developing their budget requests. In addition to this public outreach process, the City created the Portland Utilities Review Board (the “PURB”) in 1994. The PURB, an appointed body of nine interested citizens who provide independent and representative customer review of water, sewer, stormwater, and solid waste financial plans and rates, operates in an advisory capacity to Council.

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

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

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

## INSURANCE

The City is self-insured for workers' compensation, general liability claims and certain employees' medical coverage in internal service funds. The Oregon Tort Claims Act (ORS 30.260 to 30.300) limits certain claims against the City for personal injury, death and property damage or destruction as described below. Claims under federal jurisdiction are not subject to such limitations. The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage (included in accrued self insurance claims in the combined statement of net assets).

Workers' compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Division and independent actuarial studies. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. The estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For fiscal year ended June 30, 2011, the expected rate of return is 0.65 percent. For fiscal year ending June 30, 2012, the expected rate of return is 0.45 percent. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage deemed as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations and outstanding liabilities. Furthermore, current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability coverage insurance policy covers individual claims in excess of $1,000,000. The City's limits of coverage on the excess liability policy is $30 million per claim above the $1 million self-insurance retention. A tort claim for a loss from 2010 has been settled for $1.2 million. The majority of the settlement will come from the excess insurance. An excess workers' compensation coverage insurance policy covers claims in excess of $750,000. Currently this excess insurance will cover up to statutory limits.

### Personal Injury and Death Claim

Under ORS 30.272, the liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed $566,700 for causes of action arising on or after July 1, 2011, and before July 1, 2012. This cap increases incrementally through June 30, 2015, to $666,700. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increases to $1,133,300, for causes of action arising on or after July 1, 2011, and before July 1, 2012, and incrementally to $1,333,300 for causes of action arising on or after July 1, 2014, and before July 1, 2015.

For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.272. The adjustment may not exceed three percent for any year.

**Property Damage or Destruction Claim**

Under ORS 30.273, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2011, and before July 1, 2012, are as follows: (a) $101,400 for any single claimant and (b) $506,900 to all claimants. These liability limits are adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.273. The adjustment may not exceed three percent for any year.

## PENSION PLANS

### General

Substantially all City employees (other than most fire and police personnel), after six months of employment, are participants in three retirement pension benefit programs under the State of Oregon Public Employees Retirement System ("PERS" or the "System") – Tier 1, Tier 2, or the Oregon Public Service Retirement Plan ("OPSRP").

The Tier 1 and Tier 2 pension programs (the "T1/T2 Pension Programs") are defined benefit pension plans that 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. Retirement benefits for T1/T2 Pension Program members are based on final average salary and length of service and are calculated under a full formula method, formula plus annuity method, or money match (defined contribution) method if a greater benefit results.

Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in the T1/T2 Pension Program. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund the Individual Account Program ("IAP") under the separate defined contribution program. Beginning January 1, 2004, active members of the T1/T2 Pension Program became members of the IAP under OPSRP and their employee contributions were directed to the member's IAP account and will be part of a separate defined contribution program.

Oregon statutes require an actuarial valuation of the System by a competent actuary at least once every two years. Under current practice, actuarial valuations are performed annually, but only valuations as of the end of each odd-numbered year are used to determine contribution rates that employers will be required to pay to fund the obligations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account Plan ("RHIA"). See "POST-EMPLOYMENT RETIREMENT BENEFITS" below.

In October 2010, Mercer Human Resource Consulting ("Mercer"), the PERS actuary, released the City's 2009 actuarial valuation report (the "2009 City Report"), which includes the City's share of the System's actuarial accrued liabilities and assets as of December 31, 2009 and provides the City's employer contribution rates that are currently in effect (effective from July 1, 2011 through June 30, 2013). In November 2011, Mercer released an actuarial valuation for the City as of December 31, 2010 (the "2010 City Report"), which included the City's share of the System's actuarial accrued liability as of December 31, 2010 and provides the City's advisory employer contribution rates.

### Employer Asset Valuation and Liabilities

An employer's share of PERS's UAL is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

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

The table below is a summary of principal valuation results from the 2009 City Report and the 2010 City Report.

**Table 4**
**CITY OF PORTLAND, OREGON**
**Valuation Results for 2009 and 2010**
**(as of December 31)**

| | 2009 | 2010 |
|---|---|---|
| Allocated Pooled T1/T2 UAL/ (surplus) | $178,802,989 | $168,908,108 |
| Allocated Pooled OPSRP UAL/ (surplus) | 3,216,137 | 3,818,471 |
| Net unfunded pension actuarial accrued liability/(surplus) | $182,019,126 | $172,726,579 |

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/09 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/10 Valuation Report prepared by Mercer Human Resource Consulting.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

The funded status of the System and the City, as reported by Mercer, changes over time depending on the market performance of the securities that the Oregon Public Employees Retirement Fund (the "OPERF") is invested, future changes in compensation and benefits of covered employees, any additional lump sum deposits made by employers, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. No assurance can be given that the unfunded actuarial liability of PERS and of the City will not materially increase.

**Employer Contribution Rates**

Employer contribution rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including known and anticipated investment performance of the OPERF. The City's current employer contribution rates are based on the 2009 City Report. These rates became effective on July 1, 2011 and are effective through June 30, 2013. The 2010 City Report provides advisory employer contribution rates only.

In January 2010 the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the "Rate Collar"). Under normal conditions, the Rate Collar is the greater of three percent of payroll or 20 percent of the current base rate. If the funded status of the SLGRP is below 80 percent, the Rate Collar increases by 0.3 percent for every percentage point under the 80 percent funded level until it reaches six percent at the 70 percent funded level. The 2009 System Valuation found that the SLGRP was 77 percent funded, resulting in a Rate Collar of 3.9 percent. 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 RHIPA. Because the 2011-2013 employer contribution rates were reduced by the Rate Collar, further rate increases are anticipated for the 2013-2015 biennium. Although the 2010 City Report includes advisory employer contribution rates for the City, the City's employer contribution rates for the 2013-2015 biennium will be reported in the City's individual actuarial valuation report as of December 31, 2011. Presently, PERS anticipates that system-wide, the 2013-2015 rates will be increased by approximately 5 percent of covered payroll as a result of the implementation of the Rate Collar in the 2011-2013 biennium. This increase, however, will be subject to change based on the investment performance of OPERF and other factors. The City's actual 2013-2015 contribution rate increase also may vary from the system-wide number.

The table below shows the City's current employer contribution rates based on the 2009 City Report and the advisory rates identified in the 2010 City Report.

**Table 5**
**CITY OF PORTLAND, OREGON**
**Current and Future Employer Contribution Rates**
**(Percentage of Covered Payroll)**

| | Current Rates 2011-2013 | | | Advisory Rates 2013-15 | | |
|---|---|---|---|---|---|---|
| | T1/T2 | OPSRP General | OPSRP P&F | T1/T2 | OPSRP General | OPSRP P&F |
| Total net pension contribution rate | 8.71% | 7.19% | 9.90% | 12.80% | 10.99% | 13.73% |

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/09 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/10 Valuation Report prepared by Mercer Human Resource Consulting.

Currently, one percent of covered payroll for the three pension benefit programs is approximately: $1,904,948 for T1/T2 Pension Programs; $790,418 for OPSRP general services; and $150,863 for OPSRP police and fire. The City's contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of reserves, further changes to system valuation methodology and assumptions and decisions by the PERS Board and changes in benefits resulting from legislative modifications.

T1/T2 Pension Program employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution. An employer also may elect via written employment policy or agreement to make additional employer contributions to its employees' IAP accounts in an amount that can range from not less than one percent of salary to no more than six percent of salary and must be a whole percentage. Employers may make this policy or agreement for specific groups of their employees. The City has elected to make an optional contribution to the IAP accounts of public safety employees hired after January 1, 2007 of an additional three percent of their annual salary. The rates reported in Table 5 above do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

In addition to the City's employer rate, each City bureau is required to make a contribution to pay debt service on outstanding Limited Tax Pension Obligation Revenue Bonds originally issued in FY 1999-2000 to fund the City's share of the unfunded actuarial liabilities of PERS as of December 31, 1997.

**Fire and Police Disability and Retirement Fund**

The following discussion pertains to the City's Fire and Police Disability and Retirement ("FPDR") Fund. Most of the fire and police personnel are covered under the FPDR Plan. The FPDR Plan consists of three tiers, two of which are now closed to new employees. FPDR One, the original plan, and FPDR Two, in which most active fire and police personnel participate, are single-employer, defined-benefit plans administered by the FPDR Board. FPDR Three participants are part of OPSRP for retirement benefits and are under the FPDR Plan for disability and death benefits. For information regarding OPSRP and the employee and employer contribution rates for OPSRP see "PENSION PLANS – General," above. The authority for the FPDR Plan's vesting and benefit provisions is contained in the Charter of the City. Fire and police personnel generally become eligible for membership in the FPDR Plan immediately upon employment. The FPDR Plan provides for service connected disability benefits at 75 percent of salary, reduced by 50 percent of any wages earned in other employment with a 25 percent of salary minimum, for the first year of disability and 25 to 75 percent of salary in later years, depending on medical status and ability to obtain other employment. The FPDR Plan also provides for non-service connected disability benefits at reduced rates of base pay.

Effective July 1, 1990, the FPDR Plan was amended to create the FPDR Two tier, which provides for the payment of benefits upon termination of employment on or after attaining age fifty-five, or on or after attaining age fifty if the member has twenty-five or more years of service. Members become 100 percent vested after five years of service. Members enrolled in the FPDR Plan prior to July 1, 1990 were required to make an election as to whether they wished to fall under the provisions of the FPDR Plan as constituted prior to July 1, 1990 (now called FPDR One) or become subject to the new FPDR Two provisions after June 30, 1990.

On November 7, 2006, voters in the City of Portland passed a measure that created the FPDR Three tier and changed the retirement plan benefits of new members to OPSRP. The FPDR levy pays the employee and employer portions of the OPSRP contribution. This move is expected to increase property taxes for 35 years. Performance audits have been implemented to assess the implementation of the FPDR Plan reforms. The initial and follow-up disability program audits have been performed, and a pension program audit was completed in January 2010.

Another ballot measure passed by the voters November 6, 2007, also made new retirees from active service eligible for payment by the FPDR Fund of medical and hospital expenses associated with their job-related injuries and illnesses accepted before retirement. The change is effective for retirees after January 1, 2007. New state legislation governing workers' compensation law requires that the FPDR Fund treat 12 cancers as presumptive occupational illnesses for firefighters effective January 1, 2010.

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mils on each dollar of valuation of property ($2.80 per $1,000 of real market value) not exempt from such levy. In the event that funding for the FPDR Plan is less than the required payment of benefits to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the two and eight-tenth mills limit, other City funds would be required to make up the difference. The FY 2011-12 levy of $114,264,711 required a tax rate of $2.4683 per $1,000 of assessed property value, or approximately $1.4078 per $1,000 of gross real market value.

In accordance with the Charter's provisions, there are no requirements to fund the Plan using actuarial techniques, and the Charter indicates that the City cannot pre-fund the FPDR Plan benefits. As required by the Charter, the FPDR Fund's Board of Trustees estimates the amount of money required to pay and discharge all requirements of the FPDR Fund for the succeeding fiscal year and submits this estimate to the City Council. The Council is required by Charter to annually levy a tax sufficient to provide amounts necessary to fund the estimated requirements for the upcoming year provided by the FPDR Fund's Board of Trustees. While the FPDR Fund has not experienced any funding shortfalls to date, future funding is dependent on the availability of property tax revenues and, in the absence of sufficient property tax revenues, City funds.

The FPDR Fund's Board periodically assesses the future availability of property tax revenues by having projections and simulations performed in connection with the Actuarial Valuation of the Fund. The most recent assessment was as of July 1, 2010. The Fund's Board believes that, under a wide range of simulated economic scenarios in the foreseeable future, the future FPDR Fund levy would remain under $2.80 per $1,000 of real market value, but reaching the $2.80 threshold has a five percent or greater probability level starting in 2023 and an almost 10 percent probability in 2029.

Recognizing that the economic conditions have changed significantly over the past few years, the City reviewed the discount rate and assumptions utilized in the calculations of the actuarial valuation, including actuarial accrued pension liabilities and net pension obligation, and determined they should be revised to more closely match the funding and investment returns that actually are achieved under existing investment. The City revised the rate for the July 1, 2010, valuation from 4.50 percent to 4.00 percent. This change increased the unfunded actuarial liability by $190 million. Overall the unfunded actuarial liability increased from $2.21 billion on July 1, 2008 to $2.53 billion on July 1, 2010. The next actuarial valuation will be as of July 1, 2012.

**OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")**

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

**PERS Program**

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to $60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA's assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2009 City Report, the City's allocated share of the RHIA program's UAL is $10,603,769 as of December 31, 2009, and according to the 2010 City Report, the City's allocated share of the RHIA program's UAL is $11,064,746 as of December 31, 2010.

The City's current total contribution rate to fund RHIA benefits for T1/T2 employees is 0.59 percent and for OPSRP general services employees and police and fire employees is 0.50 percent.

**Health Insurance Continuation Option**

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

The City's actuary for its OPEB liability associated with the Health Insurance Continuation Option, AON Employee Benefits Consulting, completed an actuarial valuation for purposes of complying with the GASB 45 standards. The valuation was prepared using the Entry Age Normal actuarial cost method by spreading future normal costs evenly over future service ("EAN-Service"). The valuation was prepared using an amortization period of 30 years and an assumed discount rate of five percent. The City's actuarial accrued liability for OPEB is solely attributable to the Health Insurance Continuation Option and at the valuation date of July 1, 2009 (the date of the most recent actuarial valuation), is estimated to be $118,894,232 on an EAN-Service basis. Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. A new valuation study will be undertaken for reporting the OPEB liability as of July 1, 2011.

For FY 2010-11, the annual required contribution (the "ARC") of the employer to be recognized as the annual employer OPEB cost is estimated to be $13,442,894 on an EAN-Service basis. For fiscal year ended June 30, 2011, the City benefits paid on behalf of retirees exceeded the premiums they paid by $7,800,959. The City has elected to not pre-fund the FY 2010-11 employer's annual required contribution to the plan (ARC) of $13,442,894. The amount unfunded in FY 2010-11 is $28,721,772, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2010-11, less payments made in relation to the FY 2010-11 ARC. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and ARC, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

## OVERVIEW OF CITY INDEBTEDNESS

**Debt Management Policy**

In April 1984, the City Council adopted Resolution No. 33661, which places centralized responsibility for Debt Management in the Office of Management and Finance and establishes standards and procedures for the issuance of debt. The policy includes more restrictive limits on City debt issuance than required by State law. This policy has subsequently been updated and expanded. The most recent updates to the debt policy were included in Ordinance 181829, which was adopted by the City Council on May 14, 2008. Among the general provisions in the debt policy are types of debt that may be issued and limitations on their use, selection of finance professionals, methods of sale, structure and term of City indebtedness, issuance of conduit debt, and refunding outstanding debt.

**Debt History**

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

**Debt Limitation**

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

**Outstanding Debt**

The City issues a variety of debt types for the purpose of carrying out its capital financing activities. These various debt types are shown in the table below titled "Debt Statement." Outstanding debt amounts are as of March 1, 2012.

## Unlimited Tax General Obligation Bonds

Tax Supported General Obligation Bonds

The City has $78.53 million of outstanding tax-supported general obligation bonds. These bonds were originally issued for the purpose of funding parks, emergency facility system, and public safety improvements. The City is authorized to levy an unlimited ad valorem tax to pay these bonds.

## Bonds Paid and/or Secured by the General Fund

The following obligations are secured by the full faith and credit of the City. The City is obligated to pay these obligations from any taxes or other revenues available to the City that may legally be applied to pay them. The City is not authorized to levy additional taxes to pay these obligations.

Non Self-Supporting General Fund Obligations

*Limited Tax Revenue Bonds.* On March 1, 2012, the City had $77.01 million of outstanding limited tax revenue bonds that are paid primarily from General Fund resources. The City has issued limited tax revenue bonds to satisfy a variety of capital financing requirements.

*Limited Tax Pension Obligation Revenue Bonds.* The City issued $300.8 million of Limited Tax Pension Obligation Revenue Bonds in November 1999 to finance the City's December 31, 1997, unfunded actuarial accrued pension liability with the State of Oregon Public Employees Retirement System. The bonds are secured by Available General Funds, defined as revenues which are legally available to pay the bonds and not prohibited for such use under the charter and ordinances of the City and Oregon laws, and includes all taxes and other legally available general funds of the City. Approximately forty percent of the debt service on these bonds is expected to be paid from resources of the General Fund. The remaining sixty percent is expected to be paid by non-General Fund bureaus of the City. (See "Self-Supporting General Fund Obligations" below.) Approximately $100.8 million of outstanding principal remains on the portion of the bonds projected to be repaid with General Fund resources.

*Limited Tax Housing Revenue Bonds.* The City has outstanding a total of $18.82 million of Limited Tax Housing Revenue Bonds. This amount includes $10.9 million issued for the Headwaters Apartment Project and $7.9 million issued for the Housing Opportunity Program.

*Non Self-Supporting Lines of Credit.* The City has established a line of credit to fund Parks Bureau capital maintenance expenses that are secured by the City's full faith and credit. This line of credit has a current balance of $438,539.

*Contingent Loan Agreements.* The City has made a limited, subject-to-appropriation, pledge of its General Fund to restore reserve fund balances on six conduit housing revenue bond issues. As of March 1, 2012, the City had not received any requests to appropriate funds to restore the reserve fund balances of these issues. The original par amount of these issues is $30.9 million, of which $26.4 million remains outstanding.

**Table 6**
**CITY OF PORTLAND, OREGON**
**Debt Statement (1)**
**As of March 1, 2012**

| Type of Obligation | Amount Outstanding |
|---|---|
| **UNLIMITED TAX GENERAL OBLIGATION BONDS** | |
| **Tax Supported** | |
| General Obligation Parks Bonds | $16,275,000 |
| General Obligation Public Safety Bonds | 25,835,000 |
| General Obligation Emergency Facilities Bonds | 36,420,000 |
| **Total Tax Supported G.O. Bonds** | $78,530,000 |
| **BONDS PAID AND/OR SECURED BY THE GENERAL FUND** | |
| **Non Self-Supporting** | |
| Limited Tax Revenue Bonds | $77,010,000 |
| Limited Tax Pension Obligation Revenue Bonds (General Fund share) | 100,757,678 |
| Limited Tax Housing Revenue Bonds | 18,820,000 |
| Park Maintenance Facility Line of Credit | 438,539 |
| **Total Bonds Secured and Paid from the General Fund** | $197,026,217 |
| **Self-Supporting** | |
| Limited Tax Pension Obligation Revenue Bonds (Non-General Fund share) | $170,645,668 |
| Limited Tax Revenue Bonds (Streetcar) | 19,025,000 |
| Limited Tax Revenue Bonds (Convention Center) | 82,504,668 |
| Limited Tax Revenue Bonds (PCPA) | 1,315,000 |
| Limited Tax Revenue Bonds (Civic Stadium) | 24,695,000 |
| Limited Tax Revenue Bonds (S. Waterfront) | 2,114,885 |
| Limited Tax Revenue Bonds (Arena) | 17,045,000 |
| Limited Tax Revenue Bonds (Transit Mall) | 10,870,000 |
| Limited Tax Improvement Bonds | 60,120,000 |
| State Loans (Brookside) | 283,321 |
| FPD&R TANs | 16,720,000 |
| Urban Renewal Lines of Credit | 97,258,168 |
| MLS PGE Park Line of Credit | 11,900,000 |
| Local Improvement Districts Line of Credit | 5,589,957 |
| **Total Self-Supporting Bonds Secured by the General Fund** | $520,086,667 |
| **REVENUE BONDS** | |
| First Lien Sewer Revenue Bonds | $931,205,000 |
| Second Lien Sewer Revenue Bonds | 686,290,000 |
| Sewer SRF Loans | 20,648,754 |
| First Lien Water Revenue Bonds | 323,780,000 |
| Second Lien Water Revenue Bonds | 60,585,000 |
| Parks SDC Revenue Bonds | 959,100 |
| Hydroelectric Revenue Bonds | 11,050,000 |
| Urban Renewal Bonds | 465,280,000 |
| Gas Tax Revenue Bonds | 19,115,000 |
| Transportation Line of Credit | 6,527,200 |
| **Total Revenue Bonds** | $2,525,440,054 |
| **TOTAL - ALL OUTSTANDING DEBT** | $3,321,082,937 |

Notes:

(1) Excludes contingent loan agreements.

Source: City of Portland.

Self-Supporting General Fund Obligations

*Limited Tax Pension Obligation Revenue Bonds.* Of the total outstanding Limited Tax Pension Obligation Revenue Bonds described above, approximately $170.6 million is expected to be fully self-supporting and paid from non-General Fund bureaus of the City.

*Limited Tax Revenue Bonds (Visitor Development Initiative).* The City has issued bonds pursuant to an intergovernmental agreement known as the Visitor Development Initiative for various projects. While ultimately secured by the General Fund, these bonds are expected to be repaid in whole or in part with revenues generated from surcharges on the TLT and the VRT. As of March 1, 2012, the City had $82.5 million of outstanding limited tax revenue bonds for the Oregon Convention Center Completion Project, $24.7 million of outstanding bonds for the Civic Stadium Project, and $1.3 million of outstanding bonds for the Portland Center for Performing Arts ("PCPA") Project.

*Limited Tax Revenue Bonds (Central City Streetcar Project).* The City has $19.025 million of outstanding limited tax revenue bonds for the Central City Streetcar Project. These bonds are ultimately secured by the City's General Fund, but the City expects to pay the debt service on these bonds with revenues from the City's parking facilities and meters.

*Limited Tax Revenue Bonds (Transit Mall Project).* In August 2007, the City issued limited tax revenue bonds to provide a share of the local funding necessary for a light rail extension along the downtown transit mall between Union Station and Portland State University. These bonds are ultimately secured by the City's General Fund, but the City expects to pay the debt service with revenues from the its parking meter revenues. The City has $10.87 million of these bonds outstanding.

*Limited Tax Improvement Bonds.* The City has $60.12 million of outstanding limited tax improvement bonds. These bonds are issued for the purpose of financing local improvement projects. These bonds are expected to be fully self-supporting from assessment payments received from property owners benefiting from the improvement projects. In addition, the City has pledged its full faith and credit to pay the bonds, and the bonds are payable from all legally available revenues, taxes and other funds of the City.

*Arena Limited Tax Revenue Bonds*. On February 17, 2005, the City sold the Arena Limited Tax Revenue Refunding Bonds, 2005 Series A and B to refund the Arena Limited Tax Revenue Bonds, 1996 Series A and B, the Arena Limited Tax Bonds, Series 1996 and the Arena Gas Tax Revenue Bonds, 1996 Series A. The City currently has $17.045 million of these bonds outstanding. These limited tax revenue bonds are ultimately secured by the City's General Fund. However, the City expects to pay the debt service on these bonds from revenues received from the Oregon Arena Project.

*Urban Renewal and Other Self-Supporting Lines of Credit.* The City has established lines of credit for various programs that are secured in part by the City's full faith and credit. Lines of credit have been established for seven urban renewal areas. The City borrows on these lines of credit to provide interim financing for capital projects, then repays the debt with the proceeds of urban renewal and redevelopment bonds secured solely by the tax increment revenues of the districts for which the bonds are issued. The total balance on the urban renewal lines of credit as of March 1, 2012, was $97.3 million. Lines of credit secured by the City's full faith and credit have also been established to finance improvements for major league soccer at JELD-WEN Field (formerly known as PGE Park), which will be refinanced with proceeds of the 2012 Series A Bonds, and projects in local improvement districts. The balance on these two lines of credit currently totals $17.5 million

*Other Obligations.* The City has about $2.4 million in other obligations outstanding. These include a loan being repaid by the North Macadam Investors, LLC and a State loan being repaid by the Bureau of Environmental Services.

**Revenue Bonds**

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

**Urban Renewal Bonds**

As of March 1, 2012, a total of $465.3 million of Urban Renewal and Redevelopment Bonds are outstanding for nine urban renewal areas. All of these obligations are paid from tax increment revenues generated from the respective urban renewal areas. No additional City revenues are pledged to the repayment of these bonds.

**Cash Flow Borrowings**

The City may borrow for General Fund operating purposes through the issuance of short-term tax anticipation notes ("TANs"). State law limits the amount of TANs that a political subdivision may sell annually to no more than 80 percent of the amount of the annual tax levy, and all TANs must be retired within thirteen months after they were issued. In order to fund cash flow deficits in the FPDR Fund caused by the timing mismatch between when benefit payments are required to be made and when property tax collections are received, the City will issue TANs. On July 21, 2011, the City issued $16,720,000 of TANs to fund cash flow deficits in the FPDR Fund. These notes will be repaid on June 28, 2012.

**Conduit Financings**

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

**Concurrent Debt Issues**

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

**Table 7**
**CITY OF PORTLAND, OREGON**
**Future Debt Issues**

| **Purpose** | **Estimated Amount** | **Planned Sale Date** | **Type of Issue** |
|---|---|---|---|
| Oregon Convention Center Urban Renewal Projects | $70 million | May 9, 2012 | Urban Renewal and Redevelopment Bonds |
| Police Training Facility Project/Refund LTRB 2004A Bonds | $24 million | May 15, 2012 | Limited Tax Revenue Bonds |
| River District Urban Renewal Projects | $82 million | Summer 2012 | Urban Renewal and Redevelopment Bonds |
| Water System Capital Improvements | $80 million | Summer 2012 | Water System Revenue Bonds |

Source: City of Portland.

## CITY GENERAL OBLIGATION DEBT

Tables 8-10 below set forth the City's general obligation capital debt ratios, the overlapping debt among various taxing districts in the City, and outstanding direct general obligation debt of the City incurred for capital purposes.

**Table 8**
**CITY OF PORTLAND, OREGON**
**Debt Ratios**
**As of March 1, 2012**

| | Amount | Per Capita | Percent of Market Value | Percent of Assessed Value |
|---|---|---|---|---|
| July 1, 2011 Population | 585,845 | | | |
| 2011-12 Market Value (Measure 5) (1) | $81,163,435,001 | $138,541 | | |
| 2011-12 Assessed Value (2) | $51,253,281,336 | $87,486 | 63.15% | |
| Gross Bonded Debt (3) | $795,642,883 | $1,358 | 0.98% | 1.55% |
| Net Direct Debt (4) | $275,556,217 | $470 | 0.34% | 0.54% |
| Net Overlapping Debt (as of 6/30/2011) (5) | $856,883,160 | $1,463 | 1.06% | 1.67% |
| Net Direct and Overlapping Debt | $1,132,439,377 | $1,933 | 1.40% | 2.21% |
| FY 2011-12 General Fund Debt Service as a Percent of FY 2011-12 General Fund Budget (6) | 4.9% | | | |

Notes:

(1) Market Value reported in this table encompasses City of Portland values within Multnomah, Washington, and Clackamas Counties, including estimated urban renewal incremental real market values. Market Value reported in this table and in Table 11 are "Measure 5 Values," which represent the real market value of properties that are not specially assessed; and the value of specially assessed properties, including farm and forestland and exempt property which are less than full real market value. In 2011-12, the Measure 5 Market Value represented about 82 percent of full real market value. For information regarding historical Market Value, see table titled "Historical Trends in Assessed and Market Values" herein.

(2) Includes urban renewal incremental assessed value. For information regarding historical assessed values, see table titled "Historical Trends in Assessed and Market Values" herein.

(3) Includes City's outstanding general obligation bonds, limited tax improvement bonds, and limited tax revenue bonds. Also includes general fund-supported lines of credit and tax anticipation notes.

(4) Net direct debt reported in this disclosure document has changed from prior disclosure documents of the City, as it now includes non self-supporting limited tax revenue bonds secured by the City's General Fund as well as general obligation bonds paid from a separate, unlimited ad valorem tax.

(5) See Table 9 below for information on overlapping debt.

(6) Debt service amount includes all non self-supporting bonds paid and/or secured by the General Fund plus the General Fund share of pension obligation bonds.

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

**Table 9**
**CITY OF PORTLAND, OREGON**
**Overlapping Debt**
**As of June 30, 2011**

| | | | Overlapping Debt | |
|---|---|---|---|---|
| TAXING DISTRICT | Real Market Value | Percent Overlapping | Gross Property Tax Backed (1) | Net Property Tax Backed (2) |
| Multnomah County SD 1J (Portland) | $77,886,957,970 | 97.66% | $465,733,405 | $465,733,405 |
| Portland Community College | 164,112,266,666 | 46.49% | 179,121,615 | 92,704,985 |
| Multnomah County | 104,999,696,637 | 84.47% | 251,145,061 | 88,410,907 |
| Metro | 204,123,947,819 | 43.61% | 91,206,791 | 68,913,154 |
| Multnomah County SD 40 (David Douglas) | 4,955,596,585 | 100.00% | 64,670,000 | 64,670,000 |
| Multnomah County SD 7 (Reynolds) | 7,386,543,752 | 23.01% | 34,742,165 | 34,742,165 |
| Multnomah County SD 28J (Centennial) | 3,197,212,596 | 53.93% | 17,144,893 | 17,144,893 |
| Mt Hood Community College | 31,699,361,585 | 39.88% | 28,430,053 | 9,019,201 |
| Tri-Met | 203,265,967,775 | 43.79% | 4,291,861 | 4,291,861 |
| Multnomah County SD 3 (Parkrose) | 4,321,516,418 | 98.13% | 2,830,921 | 2,830,921 |
| Columbia County SD 1J (Scappoose) | 1,805,453,427 | 6.47% | 2,122,300 | 2,122,300 |
| Clackamas County SD 12 (North Clackamas) | 13,229,336,346 | 0.56% | 2,062,731 | 2,062,731 |
| Washington County SD 48J (Beaverton) | 32,941,831,020 | 0.30% | 1,609,284 | 1,609,284 |
| Multnomah County SD 51J (Riverdale) | 761,367,880 | 4.49% | 1,293,832 | 1,293,832 |
| East Multnomah Soil & Water Conservation | 73,328,104,674 | 81.25% | 706,886 | 706,886 |
| Clackamas County | 49,233,660,124 | 0.26% | 267,506 | 198,564 |
| Multnomah County Drainage District 1 | 101,049,230 | 100.00% | 3,710,000 | 140,000 |
| Washington County SD 23J (Tigard-Tualatin) | 13,056,896,206 | 0.10% | 122,256 | 122,256 |
| Clackamas Community College | 35,664,395,610 | 0.21% | 174,472 | 68,242 |
| Washington County | 68,918,447,061 | 0.28% | 342,927 | 56,244 |
| Clackamas County SD 7J (Lake Oswego) | 8,841,054,110 | 0.02% | 27,383 | 27,383 |
| Tualatin Hills Park & Rec District | 27,869,394,947 | 0.02% | 13,965 | 13,946 |
| Clackamas County ESD | 46,889,463,367 | 0.16% | 42,685 | - |
| Multnomah ESD | 106,345,991,268 | 83.42% | 29,664,579 | - |
| Northwest Regional ESD | 89,661,329,168 | 0.25% | 15,710 | - |
| Port Of Portland | 223,151,821,692 | 39.89% | 28,090,240 | - |
| | | | $1,209,583,521 | $856,883,160 |

Notes:

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

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

Source: Municipal Debt Advisory Commission, Oregon State Treasury.

**Table 10**
**CITY OF PORTLAND, OREGON**
**Projected Debt Service on Outstanding General Fund Obligations (1)**

| | PAID FROM GENERAL FUND | | | SELF-SUPPORTING BONDS SECURED BY GENERAL FUND | | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year Ending June 30 | Limited Tax Revenue Bonds (2) | Limited Tax Pension Obligation Revenue Bonds (3) | Total Non-Self Supporting Bonds/ Gen. Fund | Limited Tax Improve. Bonds (4) | Arena Limited Tax Revenue Bonds (5) | Limited Tax Pension Obligation Revenue Bonds (6) | Other Limited Tax Revenue Bonds (7) | Total Self Supporting Bonds/ Gen. Fund |
| 2012 | $15,176,339 | $9,558,733 | $24,735,073 | $6,120,066 | $3,368,925 | $16,188,905 | 12,898,533 | $38,576,429 |
| 2013 | 15,107,104 | 9,943,772 | 25,050,876 | 4,061,633 | 3,484,500 | 16,841,016 | 13,909,006 | 38,296,155 |
| 2014 | 14,060,903 | 10,338,770 | 24,399,673 | 3,995,433 | 3,601,500 | 17,509,993 | 14,137,651 | 39,244,577 |
| 2015 | 14,067,503 | 10,750,246 | 24,817,749 | 3,789,683 | 3,720,750 | 18,206,880 | 14,342,367 | 40,059,679 |
| 2016 | 14,088,168 | 11,184,169 | 25,272,337 | 2,383,733 | 3,846,500 | 18,941,782 | 14,895,920 | 40,067,934 |
| 2017 | 10,307,617 | 11,627,391 | 21,935,009 | 10,992,283 | 1,947,750 | 19,692,434 | 16,909,800 | 49,542,267 |
| 2018 | 5,795,551 | 12,095,163 | 17,890,714 | 1,946,533 | - | 20,484,663 | 13,186,908 | 35,618,104 |
| 2019 | 3,384,256 | 12,573,783 | 15,958,040 | 1,946,533 | - | 21,295,267 | 13,513,410 | 36,755,210 |
| 2020 | 3,380,376 | 13,081,663 | 16,462,040 | 6,646,533 | - | 22,155,425 | 13,856,484 | 42,658,441 |
| 2021 | 2,912,628 | 13,604,648 | 16,517,276 | 1,805,533 | - | 23,041,165 | 14,197,376 | 39,044,074 |
| 2022 | 2,913,429 | 14,150,222 | 17,063,651 | 3,165,533 | - | 23,965,162 | 14,159,500 | 41,290,194 |
| 2023 | 2,904,658 | 14,716,231 | 17,620,889 | 8,921,133 | - | 24,923,769 | 13,901,950 | 47,746,851 |
| 2024 | 2,906,461 | 15,304,658 | 18,211,119 | 1,439,238 | - | 25,920,342 | 14,319,950 | 41,679,530 |
| 2025 | 2,908,095 | 15,917,215 | 18,825,310 | 1,439,238 | - | 26,957,785 | 12,450,100 | 40,847,122 |
| 2026 | 2,143,764 | 16,553,904 | 18,697,668 | 1,439,238 | - | 28,036,096 | 12,456,200 | 41,931,534 |
| 2027 | 1,671,770 | 17,214,723 | 18,886,493 | 21,119,238 | - | 29,155,277 | 12,448,330 | 62,722,844 |
| 2028 | 1,670,605 | 17,905,243 | 19,575,848 | 455,238 | - | 30,324,757 | 9,086,000 | 39,865,995 |
| 2029 | 775,795 | 18,619,893 | 19,395,688 | 455,238 | - | 31,535,107 | 9,184,000 | 41,174,344 |
| 2030 | 778,225 | - | 778,225 | 10,405,238 | - | - | 9,187,500 | 19,592,738 |
| 2031 | 774,170 | - | 774,170 | 44,800 | - | - | - | 44,800 |
| 2032 | 773,865 | - | 773,865 | 1,164,800 | - | - | - | 1,164,800 |
| 2033 | 767,075 | - | 767,075 | - | - | - | - | - |
| 2034 | 769,035 | - | 769,035 | - | - | - | - | - |
| 2035 | 724,260 | - | 724,260 | - | - | - | - | - |
| | $120,761,652 | $245,140,429 | $365,902,081 | $93,736,886 | $19,969,925 | $415,175,825 | $249,040,986 | $777,923,622 |

Notes:

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

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

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

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

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

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

(7) Includes debt service on bonds issued for the Central City Streetcar Project, Convention Center Expansion Project, Portland Mall Revitalization Project, and improvements to the Portland Center for the Performing Arts ("PCPA") and Civic Stadium. The Central City Streetcar bonds are expected to be paid from parking facility and meter revenues. Bonds issued for Convention Center expansion, PCPA, and Civic Stadium will be repaid in whole or in part from transient lodging tax and vehicle rental tax surcharges imposed by Multnomah County. Bonds issued for Portland Mall Revitalization Project expected to be repaid with meter revenues. Also includes bonds for South Waterfront projects and excludes a $325,000 Oregon Economic Community Development loan for the Brookside project paid from sewer revenues. Also includes estimated debt service on the 2012 Series A Bonds, which are expected to be repaid with Spectator Facilities Fund revenues (preliminary, subject to change).

Source: City of Portland.

## TRENDS IN PROPERTY VALUATION, TAX RATES, TAX COLLECTIONS, AND MAJOR TAXPAYERS

Tables 11-16 below present trends in property valuation, consolidated tax rates, Measure 5 compression, tax collections, and major taxpayers.

**Table 11**
**CITY OF PORTLAND, OREGON**
**Historical Trends in Assessed and Market Values (1)**
**(000s)**

**Assessed Value**

| Fiscal Year | Inside Multnomah County | Outside Multnomah County | Urban Renewal Incremental Value | Total Assessed Value | Percent Change |
|---|---|---|---|---|---|
| 2002-03 | $32,412,271 | $158,690 | $3,557,116 | $36,128,077 | 2.83% |
| 2003-04 | 33,166,845 | 160,207 | 3,981,438 | 37,136,519 | 2.79% |
| 2004-05 | 34,214,710 | 179,226 | 4,093,296 | 38,487,232 | 3.64% |
| 2005-06 | 35,285,419 | 186,755 | 4,484,614 | 39,956,788 | 3.82% |
| 2006-07 | 38,638,637 | 197,885 | 4,965,439 | 41,801,961 | 4.62% |
| 2007-08 | 38,253,186 | 201,380 | 5,740,426 | 44,194,992 | 5.72% |
| 2008-09 | 39,784,128 | 203,038 | 6,377,050 | 46,364,216 | 4.91% |
| 2009-10 | 41,109,227 | 211,157 | 7,056,631 | 48,377,015 | 4.34% |
| 2010-11 | 42,160,414 | 214,998 | 7,462,728 | 49,838,140 | 3.02% |
| 2011-12 | 43,543,881 | 215,497 | 7,493,903 | 51,253,281 | 2.84% |

**Market Value (Measure 5) (2)**

| Fiscal Year | Inside Multnomah County | Outside Multnomah County | Total Market Value | Percent Change |
|---|---|---|---|---|
| 2002-03 | $52,455,529 | $207,172 | $52,662,701 | 4.58% |
| 2003-04 | 55,265,828 | 226,555 | 55,492,383 | 5.37% |
| 2004-05 | 58,600,225 | 250,013 | 58,850,238 | 6.05% |
| 2005-06 | 65,033,250 | 275,930 | 65,309,180 | 10.98% |
| 2006-07 | 72,566,725 | 336,963 | 72,903,688 | 11.63% |
| 2007-08 | 83,935,421 | 355,558 | 84,290,979 | 15.62% |
| 2008-09 | 90,002,463 | 355,981 | 90,358,444 | 7.20% |
| 2009-10 | 88,691,826 | 330,284 | 89,022,110 | -1.48% |
| 2010-11 | 86,062,318 | 312,362 | 86,374,680 | -2.97% |
| 2011-12 | 80,872,627 | 290,808 | 81,163,435 | -6.03% |

Notes:

(1) Under the provisions of Ballot Measure 50, beginning with FY 1997-98, Real Market Value and Assessed Value are no longer the same. Measure 50 rolled back the Assessed Value of each property for tax year 1997-98 to its 1995-96 Real Market Value, less ten percent. The Measure further limits any increase in Assessed Value to three percent for tax years after 1997-98, except for property that is substantially improved, rezoned, or subdivided, or property which ceases to qualify for a property tax exemption. This property will be assigned a new Assessed Value equal to the Assessed Value of comparable property in the area. See "PROPERTY TAX AND VALUATION INFORMATION – Section 11B."

(2) For explanation of Measure 5 Market Value, see footnote 1 of table entitled "Debt Ratios." Measure 5 Market Values are not calculated separately for urban renewal incremental value by the county assessor.

Sources: Multnomah County Department of Assessment, Recording and Taxation.

**Table 12**
**CITY OF PORTLAND, OREGON**
**Consolidated Tax Rate: Fiscal Year 2011-12**
**Levy Code 201 (1)**

| Taxing District | Permanent Tax Rate Per $1000 A.V. | Local Option And Other Tax Rates (2) Per $1000 A.V. | General Obligation Debt Tax Rate Per $1000 A.V. | Total Tax Rate Per $1000 A.V. |
|---|---|---|---|---|
| **CITY OF PORTLAND** | $4.5770 | $2.8708 | $0.2402 | $7.6880 |
| Portland Urban Renewal | $0.0000 | $0.2926 | $0.0000 | $0.2926 |
| Port of Portland | $0.0701 | $0.0000 | $0.0000 | $0.0701 |
| Metro | $0.0966 | $0.0000 | $0.2188 | $0.3154 |
| Multnomah County | $4.3434 | $0.9400 | $0.1569 | $5.4403 |
| Tri-County Metropolitan Trans. Dist. | $0.0000 | $0.0000 | $0.0583 | $0.0583 |
| E. Multnomah Soil & Conservation | $0.1000 | $0.0000 | $0.0000 | $0.1000 |
| Subtotal - General Government | $9.1871 | $4.1034 | $0.6742 | $13.9647 |
| Portland Public School District | $5.2781 | $1.9900 | $0.0000 | $7.2681 |
| Portland Community College | $0.2828 | $0.0000 | $0.3153 | $0.5981 |
| Multnomah Co. Education Svc. Dist. | $0.4576 | $0.0000 | $0.0000 | $0.4576 |
| Subtotal - Schools | $6.0185 | $1.9900 | $0.3153 | $8.3238 |
| Totals | $15.2056 | $6.0934 | $0.9895 | $22.2885 |

Notes:

(1) Levy Code 201 is the largest levy code area that includes the City, containing approximately 38 percent of the total assessed value of the City. Rates are before allocation to urban renewal division of taxes. Information regarding Levy Code 201 is provided in this table as a representative example of consolidated tax rates within the City.

(2) Includes the City Fire and Police Disability and Retirement pension levy, the City's Children's Investment levy, urban renewal special levies, the Multnomah County local option library and historical society levies, and the Portland Public Schools local option levy.

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

State statutes limit taxes on any property to $10 per $1,000 of real market value for general government and $5 per $1,000 of real market value for education. If the amount of taxes to be raised, calculated by multiplying tax rates in each category by the assessed value of a property, exceeds these limits, then the tax burden for that property is reduced to fit within the limits. This reduction is known as Measure 5 compression. See "PROPERTY TAX AND VALUATION INFORMATION—SECTION 11B" herein. The following table provides a ten-year history of Measure 5 compression for the City's general levy and Fire and Police Disability and Retirement levy.

**Table 13**
**CITY OF PORTLAND, OREGON**
**Historical Trends in Measure 5 Compression (1)**

| Fiscal Year | Taxes to Raise (2) | Loss due to Compression and Other Factors (3) | Percent Loss | Taxes Imposed (4) |
|---|---|---|---|---|
| 2002-03 | $229,831,512 | ($7,962,453) | 3.5% | $221,869,058 |
| 2003-04 | 251,115,107 | (10,276,382) | 4.1% | 240,838,725 |
| 2004-05 | 250,729,764 | (9,187,107) | 3.7% | 241,542,657 |
| 2005-06 | 255,602,024 | (7,853,812) | 3.1% | 247,748,212 |
| 2006-07 | 262,347,020 | (7,253,411) | 2.8% | 255,093,609 |
| 2007-08 | 280,243,725 | (7,583,824) | 2.7% | 272,659,901 |
| 2008-09 | 303,749,800 | (9,066,710) | 3.0% | 294,683,091 |
| 2009-10 | 314,065,487 | (9,943,163) | 3.2% | 304,122,325 |
| 2010-11 | 323,076,449 | (11,822,996) | 3.7% | 311,253,452 |
| 2011-12 | 324,830,012 | (15,998,964) | 4.9% | 308,831,048 |

Notes:

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

(2) Before Measure 5 compression.

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

(4) Before losses due to delinquencies and discounts.

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

**Table 14**
**CITY OF PORTLAND, OREGON**
**Tax Collection Record for the Last Ten Years (1)**

| Fiscal Year | Total Levy (000) (2) | Collected Yr. of Levy (3) | Collected as of 12/31/2011 (3) (4) |
|---|---|---|---|
| 2002-03 | $283,978 | 96.57% | 99.98% |
| 2003-04 | 324,709 | 96.92% | 99.98% |
| 2004-05 | 332,887 | 97.11% | 99.98% |
| 2005-06 | 346,053 | 97.20% | 99.99% |
| 2006-07 | 363,073 | 97.29% | 99.97% |
| 2007-08 | 394,491 | 97.07% | 99.93% |
| 2008-09 | 397,822 | 96.43% | 99.49% |
| 2009-10 | 436,332 | 96.85% | 98.67% |
| 2010-11 | 445,321 | 97.22% | 98.01% |
| 2011-12 | 443,510 | 88.67% (4) | 88.67% |

Notes:

(1) Tax collection information is for Multnomah County, which represents approximately 99.5% of the City's Assessed Value. Small portions of Washington and Clackamas Counties are also included in the City's Assessed Value.

(2) Includes urban renewal special levy and levy amounts allocated to urban renewal divide the taxes. Levy amounts shown are after Measure 5 compression.

(3) Collections reflect adjustments for cancellation of taxes, allowed discounts, and taxes added to tax roll due to omissions and corrections. Discounts currently represent the largest adjustment to the tax levy; discounts associated with the 2010-11 tax levy represented about 2.5% of that year's levy.

(4) Partial year collections.

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

**Table 15**
**CITY OF PORTLAND, OREGON**
**Assessed and Market Value of City Values in Multnomah County**
**By Property Type (FY 2011-12)**

| Property Type | Assessed Value | Percent of Total | Market Value (Measure 5) | AV/RMV Ratio |
|---|---|---|---|---|
| Real Property | | | | |
| Residential | $31,103,974,100 | 60.94% | $47,619,674,812 | 65.32% |
| Commercial | 8,145,308,160 | 15.96% | 16,769,280,920 | 48.57% |
| Industrial | 4,524,771,070 | 8.87% | 6,778,989,390 | 66.75% |
| Multiple Family Housing | 2,702,146,530 | 5.29% | 4,932,142,380 | 54.79% |
| Other | 76,135,610 | 0.15% | 115,575,910 | 65.87% |
| Subtotal | 46,552,335,470 | 91.21% | 76,215,663,412 | |
| Personal Property | 1,977,084,373 | 3.87% | 1,977,754,214 | 99.97% |
| Manufactured Property | 78,143,970 | 0.15% | 96,067,360 | 81.34% |
| Utilities | 2,430,220,449 | 4.76% | 2,583,142,448 | 94.08% |
| Total | $51,037,784,262 | 100.00% | $80,872,627,434 | |

Source: Table 7a – TAXABLE ASSESSED VALUE AND REAL MARKET VALUE BY PROPERTY CLASS, Tax Year 2010-11, Multnomah County Division of Assessment, Recording and Taxation.

**Table 16**
**CITY OF PORTLAND, OREGON**
**Principal Property Taxpayer Accounts**

| Taxpayer Account | Type of Business | FY 2011-12 Assessed Value | Percent of Total Assessed Value |
|---|---|---|---|
| Total City Assessed Value | | $51,253,281,336 | 100.00% |
| | | | |
| Pacificorp (PP&L) | Energy | 314,006,000 | 0.61% |
| Portland General Electric | Energy | 288,093,351 | 0.56% |
| Weston Investment Co. LLC | Real estate (office) | 233,362,410 | 0.46% |
| Qwest Corporation | Communications | 217,679,900 | 0.42% |
| Comcast Corporation | Communications | 198,036,300 | 0.39% |
| LC Portland LLC | Real estate (retail) | 173,395,750 | 0.34% |
| Evraz Inc. NA | Steel plate manufacturing | 166,298,921 | 0.32% |
| Alaska Airlines Inc. | Airline | 148,875,000 | 0.29% |
| Northwest Natural Gas Co. | Energy | 135,428,790 | 0.26% |
| AT&T | Communications | 134,105,500 | 0.26% |
| Total | | $2,009,281,922 | 3.92% |

*(End of Annual Disclosure Information)*

# SUPPLEMENTAL INFORMATION ON THE GENERAL FUND DISCRETIONARY BUDGET AND FINANCIAL PLAN

## INTRODUCTION

General Fund resources are categorized as either discretionary or nondiscretionary. Discretionary resources are those that the City Council can allocate to programs and services in any area. These resources have few restrictions on how they can be allocated. General Fund discretionary resources are typically used to support such basic City services as police, fire, and parks. Discretionary resources include property taxes, utility license fees, business license taxes, transient lodging taxes, state shared revenues (from cigarette taxes and liquor sales), interest income, miscellaneous revenues, and cash transfers into the General Fund. Nondiscretionary resources include grants, contract revenues, service reimbursements, and other revenues specifically dedicated to a particular purpose. Discretionary resources represent the largest share of the General Fund budget. In FY 2011-12, they were approximately 81.8% of the total General Fund budget.

## RECENT BUDGET ACTIONS

Despite some recent measured improvement, many effects of the most recent recession persist. These conditions have affected many of the City's General Fund revenue streams in recent years. Over the course of FY 2008-09 and FY 2009-10, business license taxes and transient lodging taxes dropped by over 16 percent. In FY 2010-11, both revenue streams have reversed course, with transient lodging taxes likely to set a record in FY 2011-12. The stable property tax revenue stream is beginning to see more volatility, as declines in real market value of property have increased property tax compression in southwest and outer-east Portland. Meanwhile other revenue sources are seeing small increases. The adopted FY 2011-12 General Fund discretionary budget allowed for $22.7 million of one-time spending and set aside $9.1 million for one-time spending in future years. The Mayor and Council also required public safety bureaus to propose 0.75 percent reductions and non-public safety bureaus to propose 1.5 percent reductions. The reductions produced enough ongoing savings to balance the General Fund discretionary budget and created some limited one-time resources that were reprogrammed to the City's highest priority services. The table below shows the revised FY 2010-11 General Fund discretionary budget and the adopted FY 2011-12 budget.

**Table 17**
**CITY OF PORTLAND, OREGON**
**General Fund Discretionary Budget**
**Revised FY 2010-11 and Adopted FY 2011-12**

| Resources | Revised FY 2010-11 | Adopted FY 2011-12 |
|---|---|---|
| Property Taxes | $191,959,956 | $198,009,386 |
| Lodging Taxes | 14,524,258 | 15,248,600 |
| Business Licenses | 57,831,084 | 67,386,974 |
| Utility License Fees | 70,250,023 | 70,813,350 |
| Other Intergovernmental Revenues | 2,562,265 | 2,659,989 |
| State Shared Cigarette & Liquor | 12,867,392 | 12,389,324 |
| Cash Transfers | 7,122,001 | 1,591,449 |
| Other/Miscellaneous Revenues | 1,263,805 | 1,131,911 |
| Bond and Note Proceeds | 8,506,660 | 0 |
| Beginning Fund Balance | 18,321,994 | 39,382,981 |
| Total Resources | $385,209,438 | $408,613,964 |
| **Expenditures** | | |
| Total Bureau Expenses | $339,894,675 | $353,950,278 |
| Contingency - Operating & Reserve | 8,110,187 | 15,792,573 |
| Overhead Recovery True-Up | 940,130 | (1,077,826) |
| Debt Service (1) | 5,485,124 | 5,950,694 |
| Transfers to Other Funds | 30,779,322 | 33,998,245 |
| Total Expenditures | $385,209,438 | $408,613,964 |

Notes:

(1) Includes a portion of debt service on the City's pension obligation bonds.

Source: City of Portland

## BUDGET OUTLOOK

Overall General Fund discretionary revenues for FY 2011-12 are projected to be 4.2 percent above FY 2010-11 levels. Business license revenue is projected to grow approximately six percent above the revised FY 2010-11 figure, reaching $67.4 million in FY 2011-12. This amount is about 13 percent below peak collections in FY 2007-08. Additionally, property taxes are expected to increase by about 2.5 percent in FY 2011-12. A major longer-term risk to the forecast is the stated intention of Multnomah County to submit a measure to voters to establish a new permanent library district beginning in FY 2013-14 with a new permanent rate levy. Though very preliminary at this point, current estimates suggest that the negative impact on City General Fund property tax revenues could exceed $7 million due to higher levels of Measure 5 compression. Additionally, the declines in real market values that have characterized much of the last several years have begun to cause levels of compression that are eroding the City's historically stable General Fund property tax revenue. See "PROPERTY TAX AND VALUATION INFORMATION—SECTION 11B," herein.

The December 2011 Five-Year Financial Forecast showed that the City would need to cut about 4.7 percent in FY 2012-13 in order to balance the budget and financial plan over the five years. The $17.4 million in necessary cuts was generally brought about by a lower property tax forecast, higher-than-expected near-term inflation, and spending obligations included in the FY 2011-12 adopted budget. In preparation, the City Council directed bureaus that receive General Funds to prepare plans for four percent, six percent, and eight percent cuts. Those plans have been submitted and are under review. A final budget forecast is scheduled to be released at the end of April.

# PROPERTY TAX AND VALUATION INFORMATION

The property tax is used by Oregon cities, counties, schools and other special districts to raise revenue to partially defray the expense of local government. The State of Oregon has not levied property taxes for General Fund purposes since 1941 and obtains its revenue principally from income taxation.

Oregon voters changed the Oregon property tax system substantially when they approved Ballot Measure 50 in May of 1997. Ballot Measure 50 was a citizen initiative that substantially amended Article XI, Section 11 of the Oregon Constitution ("Section 11").

**SECTION 11**

**Permanent Tax Rate**

Section 11 of the Oregon Constitution grants all local governments that levied property taxes for operations in FY 1997-1998 a permanent tax rate that was based on the taxing authority of those governments before Ballot Measure 50 was adopted. Permanent tax rates cannot be increased. The City's permanent tax rate is $4.5770/$1,000 of Assessed Value. Revenues from permanent tax rate levies may be spent for any lawful purpose.

**Assessed Value**

Section 11 provides that property that was subject to ad valorem taxation in FY 1997-1998 will have an Assessed Value in that fiscal year which is equal to 90 percent of its FY 1995-96 estimated market value. Section 11 limits annual increases in Assessed Value to three percent for fiscal years after 1997-98, unless the property changes because it is substantially improved, rezoned, subdivided, annexed, or ceases to qualify for a property tax exemption.

In Oregon, the assessor's estimate of market value is called "Real Market Value." In conformance with Measure 5 (see "SECTION 11B" below), properties also are assigned a "Market Value," which adjusts the Real Market Value to reflect the value of specially assessed properties, including farm and forestland and exempt property. New construction and changed property is not assessed at its Real Market Value or its Market Value. Instead, it receives an Assessed Value that is calculated by multiplying the Market Value of the property by the ratio of Assessed Values of comparable property in the area to the Market Values of those properties. This produces an Assessed Value for new construction and changed property that approximates to the Assessed Value of comparable property in the area.

**Other Property Taxes**

Section 11 requires that new taxes be approved at an election that meets the voter participation requirements described below.

Local governments that have permanent tax rates cannot increase those rates. Local governments (including community colleges and school districts) can obtain the authority to levy "local option taxes." See "LOCAL OPTION LEVIES" below.

Section 11 limits property tax collections by limiting increases in Assessed Value, by preventing increases in permanent tax rates, and through its voter participation requirements. See "GENERAL OBLIGATION BONDS" below.

In addition to permanent rate levies and local option levies, Section 11 allows the following:

- Some urban renewal areas that existed when Measure 50 was adopted are authorized to impose taxes throughout the boundaries of their creating city or county. The City has five urban renewal areas with this taxing authority.

- The City is authorized to impose a levy to pay its fire and police pension and disability obligations. The City has the authority to levy up to $2.80/$1,000 of Real Market Value under this exemption.

- Local governments are authorized to impose taxes to pay voter-approved general obligation bonds (see "General Obligation Bonds" below).

## SECTION 11B

A citizen initiative, which is often called "Measure 5," was added to the Oregon Constitution as Article XI, Section 11B ("Section 11B"). Section 11B limits property tax collections by limiting the tax rates (based on Market Value) that are imposed for government operations.

Section 11B divides taxes imposed upon property into two categories: "non-school taxes," which fund the operations of local governments other than schools, and "school taxes," which fund operations of the public school system and community colleges. Section 11B limits rates for combined non-school taxes to $10 per $1,000 of Market Value and rates for school taxes to $5 per $1,000 of Market Value.

If the combined tax rates within a category exceed the rate limit for the category, local option levies are reduced first, and then permanent rate levies, urban renewal levies and the City's pension levy are reduced proportionately to bring taxes within the rate limit.

Taxes levied to pay general obligation bonds that comply with certain provisions are not subject to the rate limits of Section 11B.

In addition to limiting ad valorem property taxes, Section 11B also restricts the ability of local governments to impose certain other charges on property and property ownership.

## LOCAL OPTION LEVIES

Local governments (including community colleges and school districts) may obtain voter approval to impose local option taxes. Local option taxes are limited to a maximum of 10 years for capital purposes, and a maximum of five years for operating purposes.

Local option levies are subject to the "special compression" under Section 11B. If operating taxes for non-school purposes exceed the $10/$1,000 limit, local option levies are reduced first to bring operating taxes into compliance with this limit. This means that local option levies can be entirely displaced by future approval of permanent rate levies for new governments, or by levies for urban renewal areas and the City's pension levy.

A Multnomah County local option levy for libraries was approved in November 2006. This local option levy took effect in FY 2007-08 and extends for five years at a rate of $0.8900 per $1,000 of Assessed Value. In November 2008, voters approved a measure to renew a five-year levy for the Children's Investment Fund at a rate of $0.4026 per $1,000 of Assessed Value. This local option levy took effect in FY 2009-10. In May 2011, voters approved a five-year local option levy for Portland Public Schools at a rate of $1.9900 per $1,000 of Assessed Value. This local option levy began in FY 2011-12.

## ELIGIBLE ELECTIONS

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

## GENERAL OBLIGATION BONDS

Levies to pay certain general obligation bonds are exempt from the limits of Sections 11 and 11B. The provisions of the Oregon Constitution that govern general obligation bonds have changed several times since 1990. Currently local government general obligation bonds can only be approved at an eligible election (described above), and can only be issued to finance certain kinds of capital assets. Beginning January 1, 2011, general obligation bonds can be issued to finance costs of any assets having a useful life of more than one year, but only if the weighted average life of the bonds does not exceed the weighted average life of the assets that are financed with the bonds.

## COLLECTION

The county tax collectors extend authorized levies, compute tax rates, bill and collect all taxes and make periodic remittances of collections to tax levying units. County tax collectors are charged with calculating public school and local government taxes separately, calculating any tax rate reductions to comply with tax limitation law, and developing percentage distribution schedules. Tax collectors then report to each taxing district within five days the amount of taxes imposed.

Tax collections are now segregated into two pools, one for public schools and one for local governments, and each taxing body shares in its pool on the basis of its tax rate (adjusted as needed with tax limitation rate caps), regardless of the actual collection experience within each taxing body. Therefore, in application, the amount for each taxing body becomes a pro rata share of the total tax collection record of all taxing bodies within the county. Thus, an overall collection rate of 90 percent of the county-wide levy translates into a 90 percent tax levy collection for each taxing body.

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

A Senior Citizen Property Tax Deferral Program (1963) allows homeowners to defer taxes until death or sale of the home. Qualifications include a minimum age of 62 and household income under $19,500 for claims filed after January 1, 1991; $18,500 if filed during 1990; or $17,500 if filed prior to January 1, 1990. Taxes are paid by the State, which obtains a lien on the property and accrues interest at six percent.

## PROPERTY TAX EXEMPTION PROGRAMS

### City Programs

Various City housing programs provide property tax abatements as a means to encourage construction, rehabilitation, or conversion of housing units within the City. These programs are authorized by State statute and City Code. The City establishes specific criteria that meet statutory guidelines. Programs currently in effect are as follows:

- <u>Non-Profit Owners of Low Income Housing Tax Exemption</u>: This exemption is intended to promote housing for low-income renters, and allows charitable, non-profit owners or managers of residential property to apply for a tax exemption based upon the number of affordable housing units they maintain. The tax exemption is granted for one year, with annual renewals.

- <u>Rental Rehabilitation Program</u>: To preserve rental property, the City offers a ten-year tax abatement (subject to annual review) on improvements to existing rental housing or conversion of existing structures to rental housing. Property owners continue to pay taxes on the Assessed Value of the land and the original improvements to the property and such Assessed Value can not exceed the Assessed Value as it appeared in the most recent assessment roll prior to the application filing date. Property owners must designate a minimum number of units to remain affordable to low-income households during the exemption period.

- <u>Owner-Occupied Rehabilitation Program</u>: To encourage the rehabilitation of owner-occupied housing in designated distressed areas of the City, the City offers a ten-year property tax abatement on the increased Assessed Value of the property resulting from approved rehabilitation. Property owners continue to pay taxes on the Assessed Value of the land and the original improvements to the property, along with any increases to these values allowed under Measure 50.

- <u>Transit Oriented Development Program</u>: This program is intended to promote high-density residential and mixed use development in transit oriented areas. Property owners receive a tax exemption on the residential portion of new construction or conversion of existing structures for up to ten years.

- <u>Single Family New Construction</u>: To encourage the new development owner-occupied housing in designated distressed areas of the City, the City offers a ten-year property tax abatement on the Assessed Value of the new improvements resulting from the development or redevelopment of the land. Property owners continue to pay taxes on the Assessed Value of the land along with any increases to these values allowed under Measure 50.

- New, Multiple-Unit (Central City) Housing Program: This program provides a property tax exemption for newly constructed multiple-unit housing or conversion of existing structures into multiple-unit housing in the Central City and urban renewal areas for up to ten years.

Because the City and the Commission view property tax exemption programs as important components of promoting affordable housing and economic development within the City, the City may seek to extend existing programs past their current expiration dates or to create new programs.

**Oregon Enterprise Zone Program**

The Oregon Enterprise Zone program is a State of Oregon economic development program that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by the state statute and the local sponsor. The Commission is the local sponsor for the Portland Enterprise Zone program.

**Other State Programs**

State statutes authorize other property tax exemptions that are not directly controlled by the City. Among these are property tax exemptions for charitable, educational, and religious institutions; certain health care facilities; historic property; property owned by State, local, and certain federal government agencies; and exemptions for disabled veterans.

# CITY ECONOMIC CHARACTERISTICS

The City, with an estimated population of 585,845 as of July 1, 2011, comprises an area of approximately 135 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for a metropolitan area with an estimated population of approximately 2.2 million people as of July 1, 2010. The City is the county seat of Multnomah County and is the largest city in Oregon and the second largest city in the Pacific Northwest.

## PORTLAND-VANCOUVER-BEAVERTON METROPOLITAN STATISTICAL AREA

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

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

## POPULATION

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

**Table 18**
**CITY OF PORTLAND, OREGON**
**Population Estimate for the Last Ten Years**

| As of July 1 | State of Oregon | City of Portland | MSA (1) | Multnomah County | Washington County | Clackamas County |
|---|---|---|---|---|---|---|
| 2002 | 3,504,700 | 538,180 | 1,989,550 | 670,250 | 463,050 | 350,850 |
| 2003 | 3,541,500 | 545,140 | 2,019,250 | 677,850 | 472,600 | 353,450 |
| 2004 | 3,582,600 | 550,560 | 2,050,650 | 685,950 | 480,200 | 356,250 |
| 2005 | 3,631,440 | 556,370 | 2,082,240 | 692,825 | 489,785 | 361,300 |
| 2006 | 3,690,505 | 562,690 | 2,121,910 | 701,545 | 500,585 | 367,040 |
| 2007 | 3,745,455 | 568,380 | 2,159,720 | 710,025 | 511,075 | 372,270 |
| 2008 | 3,791,075 | 575,930 | 2,191,784 | 717,880 | 519,925 | 376,660 |
| 2009 | 3,823,465 | 582,130 | 2,216,785 | 724,680 | 527,140 | 379,845 |
| 2010 | 3,837,300 | 583,775 | 2,229,899 | 736,785 | 531,070 | 376,780 |
| 2011 | 3,857,625 | 585,845 | 2,245,400 | 741,925 | 536,370 | 378,480 |
| 2002-2011 Compounded Annual Rate of Change | 1.1% | 0.9% | 1.4% | 1.1% | 1.6% | 0.8% |
| 2007-2011 Compounded Annual Rate of Change | 0.7% | 0.8% | 1.0% | 1.1% | 1.2% | 0.4% |

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

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

Notes:

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

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

## INCOME

Per capita personal income in the MSA has been consistently higher than in the State of Oregon, and until 2007, was higher than in the nation. Table 19 below shows personal income and per capita income for the MSA compared to similar data for the State and nation.

**Table 19**
**CITY OF PORTLAND, OREGON**
**Total Personal Income and Per Capita Income**
**MSA, Oregon, and the United States**

| Year | Total Personal Income MSA (millions) | Per Capita Income MSA | Per Capita Income Oregon | Per Capita Income USA |
|---|---|---|---|---|
| 2001 | $65,340 | $33,074 | $29,250 | $31,157 |
| 2002 | 66,298 | 32,973 | 29,797 | 31,481 |
| 2003 | 68,222 | 33,541 | 30,582 | 32,295 |
| 2004 | 70,927 | 34,552 | 31,650 | 33,909 |
| 2005 | 74,750 | 35,868 | 32,557 | 35,452 |
| 2006 | 80,794 | 38,040 | 34,706 | 37,725 |
| 2007 | 85,305 | 39,428 | 35,950 | 39,506 |
| 2008 | 88,978 | 40,950 | 37,399 | 40,947 |
| 2009 | 87,894 | 39,830 | 35,571 | 38,846 |
| 2010 | 90,654 | 40,590 | 36,427 | 39,945 |
| 2001-2010 Compounded Annual Rate of Change | 3.7% | 2.3% | 2.5% | 2.8% |

Source: Personal income from U.S. Department of Commerce, Bureau of Economic Analysis, as of August 9, 2011. Per capita income from U.S. Department of Commerce, Bureau of Economic Analysis as reported by Oregon Employment Department as of January 2012.

## LABOR FORCE AND UNEMPLOYMENT

Table 20 below shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 2002 through 2011. For January 2012, the seasonally-adjusted unemployment rate for the MSA was 8.2 percent (8.5 percent not seasonally-adjusted) with a resident civilian labor force of 1,192,146. Table 21 below shows the seasonally-unadjusted, average annual unemployment rates for the MSA, the State and the United States for the period 2002 through 2011.

**Table 20**
**CITY OF PORTLAND, OREGON**
**MSA Labor Force and Unemployment Rates[(1)]**

| Year | Resident Civilian Labor Force | Unemployment Number | Unemployment Percent of Labor Force | Total Employment |
|---|---|---|---|---|
| 2002 | 1,093,526 | 85,191 | 7.8% | 1,008,335 |
| 2003 | 1,090,119 | 90,082 | 8.3 | 1,000,037 |
| 2004 | 1,089,204 | 76,576 | 7.0 | 1,012,628 |
| 2005 | 1,097,592 | 64,282 | 5.9 | 1,033,310 |
| 2006 | 1,121,350 | 56,388 | 5.0 | 1,064,962 |
| 2007 | 1,142,519 | 55,274 | 4.8 | 1,087,245 |
| 2008 | 1,169,791 | 69,708 | 6.0 | 1,100,083 |
| 2009 | 1,185,625 | 127,688 | 10.8 | 1,057,937 |
| 2010 | 1,189,827 | 126,187 | 10.6 | 1,063,640 |
| 2011 | 1,195,738 | 109,302 | 9.1 | 1,086,436 |

Notes:

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

Source: Oregon Employment Department as of January 2012.

**Table 21**
**CITY OF PORTLAND, OREGON**
**Average Annual Unemployment**
**MSA, Oregon, and the United States**
**(Not Seasonally Adjusted)**

| Year | MSA | State of Oregon | USA |
|---|---|---|---|
| 2002 | 7.8% | 7.6% | 5.8% |
| 2003 | 8.3 | 8.1 | 6.0 |
| 2004 | 7.0 | 7.3 | 5.5 |
| 2005 | 5.9 | 6.2 | 5.1 |
| 2006 | 5.0 | 5.3 | 4.6 |
| 2007 | 4.8 | 5.2 | 4.6 |
| 2008 | 6.0 | 6.5 | 5.8 |
| 2009 | 10.8 | 11.1 | 9.3 |
| 2010 | 10.6 | 10.8 | 9.6 |
| 2011 | 9.1 | 9.5 | 8.9 |

Source: Oregon Employment Department as of January 2012.

**EMPLOYMENT BY INDUSTRY**

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

**Table 22**
**CITY OF PORTLAND, OREGON**
**Portland-Vancouver-Beaverton, Oregon MSA**
**Non-Farm Wage and Salary Employment [(1)](000)**

| Industry | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| Total nonfarm employment | **1,034,900** | **1,034,300** | **973,800** | **965,500** | **975,900** |
| Total private | **892,700** | **887,300** | **825,700** | **817,700** | **830,700** |
| Manufacturing | **126,100** | **123,200** | **109,100** | **106,700** | **108,300** |
| Durable goods | 95,700 | 93,500 | 81,700 | 79,300 | 81,000 |
| Wood product manufacturing | 5,600 | 4,800 | 3,700 | 3,500 | 3,400 |
| Primary metal manufacturing | 6,600 | 7,100 | 5,800 | 5,600 | 5,800 |
| Fabricated metal manufacturing | 13,300 | 13,400 | 11,100 | 11,100 | 11,300 |
| Machinery manufacturing | 8,600 | 8,300 | 7,000 | 7,000 | 7,400 |
| Computer/electronic manufacturing | 36,900 | 35,900 | 33,900 | 33,200 | 34,300 |
| Transportation equipment manufacturing | 9,000 | 8,600 | 7,000 | 6,300 | 6,500 |
| Nondurable goods | 30,400 | 29,600 | 27,400 | 27,300 | 27,400 |
| Food manufacturing | 9,100 | 9,200 | 9,100 | 9,300 | 9,500 |
| Paper manufacturing | 4,700 | 4,500 | 3,900 | 3,600 | 3,300 |
| Non-Manufacturing | **766,600** | **764,200** | **716,900** | **711,100** | **722,600** |
| Construction and mining | 66,900 | 62,400 | 50,600 | 45,800 | 46,000 |
| Trade, transportation, and utilities | 205,700 | 203,900 | 189,700 | 186,700 | 190,600 |
| Wholesale Trade | 58,100 | 57,800 | 54,400 | 52,500 | 53,000 |
| Retail trade | 109,800 | 108,500 | 101,100 | 101,100 | 103,800 |
| Transportation, warehousing, and utilities | 37,800 | 37,600 | 34,200 | 33,100 | 33,900 |
| Information | 24,800 | 24,600 | 22,900 | 22,300 | 22,200 |
| Financial activities | 70,400 | 67,800 | 63,800 | 61,800 | 62,100 |
| Professional and business services | 136,400 | 136,500 | 124,900 | 126,600 | 129,700 |
| Educational and health services | 127,800 | 132,600 | 135,200 | 139,000 | 143,200 |
| Leisure and hospitality | 98,000 | 99,300 | 94,500 | 93,900 | 94,700 |
| Other services | 36,600 | 37,100 | 35,300 | 35,000 | 34,100 |
| Government | **142,300** | **147,000** | **148,100** | **147,800** | **145,200** |

Notes:

(1) Totals may not sum due to rounding.

Source: State of Oregon, Employment Department as of January 2012.

**Table 23**
**CITY OF PORTLAND, OREGON**
**Major Employers in the MSA**

| Employer | Product or Service | 2011 Estimated Employment |
|---|---|---|
| **Private Employers** | | |
| Intel Corporation | Computer and electronic products | 15,636 |
| Providence Health System | Health care & health insurance | 14,089 |
| Fred Meyer Stores | Grocery & retail variety chain | 9,858 |
| Legacy Health System | Health care | 9,732 |
| Kaiser Foundation of the Northwest | Health care | 9,039 |
| NIKE Inc. | Sports shoes and apparel | 7,000 |
| Wells Fargo | Bank | 4,748 |
| U.S. Bank | Bank & holding company | 3,899 |
| Southwest Washington Medical Center | Health care | 3,345 |
| Xerox Corp. | Document systems | 3,300 |
| Portland General Electric | Utilities | 2,708 |
| The Standard | Insurance | 2,500 |
| Daimler Trucks North America | Heavy duty trucks | 2,450 |
| **Public Employers** | | |
| State of Oregon | State government | 18,400 |
| U.S. Federal Government | Federal government | 13,900 |
| Oregon Health and Science University | Health care & education | 12,000 |
| City of Portland | Government | 8,876 |
| Portland School District | Education | 6,855 |
| Evergreen School District | Education | 6,448 |
| Multnomah County | Government | 5,797 |
| Portland Community College | Education | 4,390 |
| Beaverton School District | Education | 4,247 |
| Portland State University | Education | 4,066 |
| Vancouver School District | Education | 3,224 |
| TriMet | Mass transit | 2,431 |

Source: Portland Business Journal, December 23, 2011.

## REAL ESTATE

### Industrial

A diverse mix of industrial properties are located throughout the Portland metropolitan area for all types of industrial use, including more than 280 industrial and business parks. On the eastside, the Columbia Corridor is the largest industrial area in Oregon, containing approximately 22,600 acres or 28 square miles along an 18-mile stretch of land that runs along the southern shore of the Columbia River. The Columbia Corridor includes the Rivergate Industrial District, marine terminals, and Portland International Airport ("PDX"). The Rivergate Industrial Park is a 2,800-acre area owned by The Port of Portland (the "Port") in North Portland. In addition to Rivergate's access to the Columbia River and PDX, the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives.

Just west of the City, the Sunset Corridor has emerged as the center for Oregon's high technology industry, including Intel's 15,500-employee campuses. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. Another large submarket for industrial and flex space is the Interstate 5 ("I-5") Corridor, which extends from S.W. Portland to the City of Wilsonville along I-5.

Portland's industrial sector is continuing its recovery according to Grubb & Ellis in their publication *Industrial Trends Report –- Fourth Quarter 2011*, *Portland, OR*. Grubb & Ellis report that the overall vacancy rate in the fourth quarter of 2011 was 8.1 percent compared to 8.4 percent in the third quarter of 2011. This vacancy rate was also below the fourth quarter 2010 rate of 8.5 percent. Grubb & Ellis note that the fourth quarter of 2011 ended with almost 900,000 square feet of industrial space absorbed in the quarter and $1.6 million square feet absorbed for the year. A total of 448,000 square feet of new construction was delivered in the quarter. Another 2.9 million square feet of new construction is underway, including a 1.8 million square-foot facility owned by Intel.

### Office

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

The office market offended on a positive note in 2011, according to the *Office Trends Report – Fourth Quarter 2011, Portland, OR* prepared by Grubb & Ellis. The fourth quarter vacancy rate for the Portland region was 13.8 percent, down slightly from the third quarter 2011 vacancy rate of 14.1 percent and down from the fourth quarter 2010 vacancy rate of 14.6 percent. The fourth quarter 2011 vacancy rate in the downtown central business district was 9.1 percent, compared to a fourth quarter 2010 rate of 9.4 percent and a third quarter 2011 rate of 9.3 percent. The suburban market was weaker, with a fourth quarter 2011 vacancy rate of 16.6 percent. Grubb & Ellis report total office market net absorption of 157,000 square feet for the fourth quarter. For the year, the CBD saw almost 150,000 of net absorption while the suburbs had over 400,000 square feet of net absorption. Class A office space in the downtown continues to fare better than the rest of the market, with asking rents averaging $26.19 per square foot compared to $22.30 per square foot for the Class A space in the Portland region's suburban market.

### Housing

The year-to-date median selling price of a home in the Portland metropolitan area through December 2011 was $221,000, down 7.9 percent from the December 2010 year-to-date price of $239,900, according to the Realtors Metropolitan Area Multiple Listing Service ("RMLS"). Through December 2011, homes in the Portland metropolitan area were on the market an average of 143 days during the year. According to RMLS, through December of 2011, the Southeast and West Portland regions were the most active residential real estate areas, with 2,457 and 2,284 closed sales, respectively. Portland metropolitan area closed sales year-to-date were up 4.0 percent from the same period in 2010.

The table below compares the median home sale price for the fourth quarter of 2010 and 2011 in the Portland region and with the nation.

**Table 24**
**CITY OF PORTLAND, OREGON**
**Median Home Sale Price**
**(U.S. and Portland Metropolitan Area)**

| Region | 4th Quarter 2010 | 4th Quarter 2011 | Percent Change |
|---|---|---|---|
| U.S. | $170,600 | $163,500 | -4.2% |
| Portland Metro. Area | 230,200 | 218,900 | -4.9% |

Source: National Association of Realtors and RMLS.

The market for condominiums also has deteriorated as a result of the downturn in the housing market as shown in the following table. Portland's decrease in value is largely due to the increased inventory that has come on the market over the past few years.

**Table 25**
**CITY OF PORTLAND, OREGON**
**Median Condo/Coop Sale Price**
**(U.S. and Portland Metropolitan Area)**

| Region | 4th Quarter 2010 | 4th Quarter 2011 | Percent Change |
|---|---|---|---|
| U.S. | $163,500 | $160,800 | -1.7% |
| Portland Metro. Area | 165,600 | 146,700 | -11.4% |

Source: National Association of Realtors and RMLS.

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

**Table 26**
**CITY OF PORTLAND, OREGON**
**New Single family and Multi-family**
**Residential Construction Permits**

| | New Single Family | | New Multi-Family | |
|---|---|---|---|---|
| Year | No. of Permits | Value | No. of Permits | Value |
| 2000 | 866 | $125,275,273 | 93 | $62,578,694 |
| 2001 | 1,040 | 159,218,264 | 102 | 46,446,402 |
| 2002 | 1,088 | 169,816,560 | 110 | 92,457,354 |
| 2003 | 1,093 | 176,408,264 | 198 | 195,489,464 |
| 2004 | 956 | 162,215,542 | 161 | 153,283,224 |
| 2005 | 981 | 172,372,705 | 196 | 247,646,057 |
| 2006 | 1,256 | 232,917,661 | 164 | 241,125,419 |
| 2007 | 1,205 | 236,732,683 | 179 | 346,708,925 |
| 2008 | 648 | 126,171,068 | 73 | 410,957,333 |
| 2009 | 427 | 86,645,801 | 15 | 44,978,728 |
| 2010 | 435 | 95,809,473 | 30 | 86,511,573 |

Source: U.S. Census Bureau as of May 17, 2011.

**Urban Renewal**

The City seeks to promote neighborhood revitalization through the creation of urban renewal areas. Urban renewal is a state-authorized, redevelopment and finance program designed to help communities improve and redevelop areas that are physically deteriorated, suffering economic stagnation, unsafe or poorly planned. Urban renewal is used as a tool to focus resources in blighted or underused areas to stimulate private investment and improve neighborhood livability.

The City has eleven urban renewal areas, with combined acreage of about 14 percent of the City's area. Five of the 11 urban renewal areas are concentrated in the city's core; three of these have largely completed their work. Three are mainly residential areas in Portland's eastside. The City also has three industrial areas: Central Eastside on the east bank of the Willamette River; Willamette Industrial, located north of the downtown core on the Willamette River; and Airport Way, located in the Columbia corridor, which also is completing its urban renewal work. The Portland Development Commission administers the urban renewal areas. In April, the City Council will consider ordinances to create six small urban renewal areas, which will be located along commercial corridors in certain eastside neighborhoods. These urban renewal areas are being formed in order to strengthen the economic competitiveness of neighborhood business districts. The Commission is also planning a new urban renewal area in Portland's west side, which will include property in the vicinity of Portland State University.

**TRANSPORTATION AND DISTRIBUTION**

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

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

In 2011, 554 ocean-going vessels made calls at Port facilities. Total maritime tonnage in 2011 increased by 2.0 percent to 13.4 million short tons in 2011 compared to 13.1 million in 2010.

The Columbia River ship channel is currently maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. In 2005, the Columbia River Channel Deepening Project was initiated to deepen the shipping channel of the Columbia River from 40 feet to 43 feet to accommodate larger, more efficient vessels. This project was completed in October 2010.

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

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

PDX handled approximately 13.7 million passengers in 2011, with more than 400 flights daily. This includes nonstop service on international flights to Amsterdam, Netherlands; Vancouver, British Columbia; Toronto, Ontario; and Tokyo, Japan. In 2011, 205,846 short tons of cargo and 8,118 short tons of mail were handled by PDX. Portland is also served by three publicly operated general aviation airports located in the suburban areas.

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

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

The Tri-County Metropolitan Transportation District of Oregon ("TriMet"), the regional public transit agency, provides rail and bus service throughout the Portland metropolitan area. During TriMet's fiscal year, from July 2010 through June 2011, passengers boarded a TriMet bus or train approximately 100.0 million times.

TriMet's light rail system ("MAX") connects the cities of Portland, Gresham, Beaverton and Hillsboro, and PDX. In 2009, TriMet completed an 8.3 mile extension of the light rail line, providing service along Interstate-205 between Clackamas Town Center through downtown Portland to Portland State University. Tri-Met is currently underway with the Portland-Milwaukie light rail extension, which will connect downtown Portland to Milwaukie. This 7.3 mile line is expected to be operational in 2015. In 2008, TriMet began service on the Washington County Commuter Rail, which runs from Beaverton to Wilsonville.

The Portland Streetcar connects South Waterfront area along the Willamette River with the Pearl District and Northwest Portland. The Portland Streetcar is owned and operated by the City, and has entered into contracts with TriMet for train operators and mechanics. An extension of the streetcar line to Portland's east side is currently underway. The extension will cross the Willamette River using the Broadway Bridge, travel through the Lloyd District, continue south along Martin Luther King, Jr. Boulevard, and make a loop at either SE Mill or Stephens Street before returning back along Grand Avenue. The project is expected to be completed in September 2012.

The Portland Aerial Tram ("Tram") opened in January 2007. The Tram, which is owned by the City and operated by Oregon Health and Science University ("OHSU"), links OHSU's North Macadam offices and its Marquam Hill campus.

**TOURISM, RECREATION AND CULTURAL ATTRACTIONS**

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

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

The National Basketball Association ("NBA") Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Memorial Coliseum), as do the major-junior Western Hockey League ("WHL") Portland Winterhawks. JELD-WEN Field (formerly PGE Park) was recently renovated for major league soccer and is the home of the Major League Soccer ("MLS") Portland Timbers.

**HIGHER EDUCATION**

Within the Portland metropolitan area are several post-secondary educational systems. Portland State University ("PSU"), the largest university in the Oregon University System, is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers over 220 undergraduate, masters, and doctoral programs. Enrollment for the Fall 2011 term was approximately 29,703 students. PSU is noted for the development of programs specifically designed to meet the needs of the urban center.

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

OHSU's Marquam Hill campus sits on more than 100 acres overlooking downtown Portland. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children's Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs. Enrollment for 2010-11 was approximately 2,720 medical, dental, nursing, science, and allied health students.

Independent colleges in the Portland metropolitan area include Lewis & Clark College, University of Portland, Reed College, Linfield College-Portland Campus, ITT Technical Institute, and Marylhurst University; and several smaller church-affiliated schools, including Warner Pacific College, Concordia University, George Fox University, and Cascade College. Portland Art Institute, Western Culinary Institute, University of Western States, Oregon College of Oriental Medicine, National College of Naturopathic Medicine, and East-West College of the Healing Arts are also located in the City.

Several community colleges serve the Portland metropolitan area including Portland Community College, Mt. Hood Community College, and Clackamas Community College.

## UTILITIES

### Electric Power and Natural Gas

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

### Communications

Telephone services are provided by CenturyLink (formerly Qwest Communications) and, in some areas, Verizon. The Portland metropolitan area is also served by three cable service providers, primarily Comcast within the Portland city limits, and Verizon and Cascade Access in other parts of the region.

### Water, Sewer, and Wastewater

The City operates the water supply system that delivers drinking water to residents of Portland. About 900,000 people, almost one-quarter of the state's population, are served by the City's water system on a wholesale and retail basis within its 225 square mile service area. The primary water source is the Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood. The City also uses groundwater as a supplemental water supply.

The City also owns, operates, and maintains sanitary and storm water collection, transportation, and treatment systems within its boundaries. The City provides sanitary sewer service to approximately 560,000 people, numerous commercial and industrial facilities, and several wholesale contract customers located adjacent to the City.

## AGRICULTURE

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. The metropolitan area, however, accounted for approximately 19.0 percent of the State's Gross Farm and Ranch Sales based on 2010 estimates from the Oregon State University Extension Economic Information Office. The 2010 Gross Farm and Ranch Sales in Clackamas County was $294,163,000; Washington County was $227,401,000; Yamhill County was $216,147,000; Multnomah County was $57,068,000; and Columbia County was $19,674,000 as estimated by the Oregon State University Extension Service.

# THE INITIATIVE PROCESS

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

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

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

To place a proposed state-wide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2012 general election, the requirement is eight percent (116,284 signatures) for a constitutional amendment measure and six percent (87,213 signatures) for a statutory initiative. The last day for submitting signed initiative petitions for the 2012 general election is July 6, 2012. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. State-wide initiatives may only be filed for general elections in even-numbered years. The next general election for which state-wide initiative petitions may be filed will be in November 2012.

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

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

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

**Table 27**
**CITY OF PORTLAND, OREGON**
**Statewide Initiative Petitions that Qualified and Passed**
**2002-2010**

| 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 |

Source: Elections Division, Oregon Secretary of State.

## FUTURE STATE-WIDE INITIATIVE MEASURES

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

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

## LOCAL INITIATIVES

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

# TAX MATTERS

## OPINION OF BOND COUNSEL

In the opinion of Bond Counsel to the City, interest on the 2012 Series A Bonds (i) is included in gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of Oregon.

The following discussion is a brief summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of 2012 Series A Bonds by original purchasers of the 2012 Series A Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the 2012 Series A Bonds will be held as "capital assets"; and (iii) does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the 2012 Series A Bonds as a position in a "hedge" or "straddle", holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Holders of 2012 Series A Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the 2012 Series A Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

## ORIGINAL ISSUE DISCOUNT

In general, if Original Issue Discount ("OID") is greater than a statutorily defined *de minimis* amount, a holder of a 2012 Series A Bond having a maturity of more than one year from its date of issue must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such 2012 Series A Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. "OID" is the excess of (i) the "stated redemption price at maturity" over (ii) the "issue price". For purposes of the foregoing: "issue price" means the first price at which a substantial amount of the 2012 Series A Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); "stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest", provided by such 2012 Series A Bond; "qualified stated interest" is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and "*de minimis* amount" is an amount equal to 0.25 percent of the 2012 Series A Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a 2012 Series A Bond using the constant-yield method, subject to certain modifications.

## ACQUISITION DISCOUNT ON SHORT-TERM TAXABLE BONDS

Each holder of a 2012 Series A Bond with a maturity not longer than one year (a "Short-Term Taxable Bond") is subject to rules of Sections 1281 through 1283 of the Code, if such holder is an accrual method taxpayer, bank, regulated investment company, common trust fund or among certain types of pass-through entities, or if the Short-Term Taxable Bond is held primarily for sale to customers, is identified under Section 1256(e)(2) of the Code as part of a hedging transaction, or is a stripped bond or coupon held by the person responsible for the underlying stripping transaction. In any such instance, interest on, and "acquisition discount" with respect to, the Short-Term Taxable Bond accrue on a ratable (straight-line) basis, subject to an election to accrue such interest and acquisition discount on a constant interest rate basis using daily compounding. "Acquisition discount" means the excess of the stated redemption price of a Short-Term Taxable Bond at maturity over the holder's tax basis therefor.

A holder of a Short-Term Taxable Bond not described in the preceding paragraph, including a cash-method taxpayer, must report interest income in accordance with the holder's regular method of tax accounting, unless such holder irrevocably elects to accrue acquisition discount currently.

## BOND PREMIUM

In general, if a 2012 Series A Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the 2012 Series A Bond other than "qualified stated interest" (a "Taxable Premium Bond"), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, if the holder of a Taxable Premium Bond elects to amortize the premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond), the amortizable premium is treated as an offset to interest income; the holder will make a corresponding adjustment to the holder's basis in the Taxable Premium Bond. Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

## DISPOSITION AND DEFEASANCE

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a 2012 Series A Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the 2012 Series A Bond.

The City may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the 2012 Series A Bonds to be deemed to be no longer outstanding under the Bond Declaration (a "defeasance"). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the 2012 Series A Bonds subsequent to any such defeasance could also be affected.

## INFORMATION REPORTING AND BACKUP WITHHOLDING

In general, information reporting requirements will apply to non-corporate holders of the 2012 Series A Bonds with respect to payments of principal, payments of interest, and the accrual of OID on a 2012 Series A Bond and the proceeds of the sale of a 2012 Series A Bond before maturity within the United States. Backup withholding may apply to holders of 2012 Series A Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

## U.S. HOLDERS

The term "U.S. Holder" means a beneficial owner of a 2012 Series A Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

## IRS CIRCULAR 230 DISCLOSURE

The advice under the caption, "TAX MATTERS," concerning certain income tax consequences of the acquisition, ownership and disposition of the 2012 Series A Bonds, was written to support the marketing of the 2012 Series A Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, each prospective purchaser of the 2012 Series A Bonds is advised that (i) any Federal tax advice contained in this official statement (including any attachments) or in writings furnished by Bond Counsel to the City is not intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under the Code, and (ii) the taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

## MISCELLANEOUS

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest of the 2012 Series A Bonds under state law or otherwise prevent beneficial owners of the 2012 Series A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2012 Series A Bonds.

Prospective purchasers of the 2012 Series A Bonds should consult their own tax advisors regarding the foregoing matters.

# ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on employee benefit plans subject to Title I of ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to Title I of ERISA but are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons" (each a "Party in Interest")) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The fiduciary of a Plan that proposes to purchase and hold any 2012 Series A Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest, (ii) the sale or exchange of any property between a Plan and a Party in Interest and (iii) the transfer to, or use by or for the benefit of, a Party in Interest, of any Plan assets. Depending on the identity of the Plan fiduciary making the decision to acquire or hold 2012 Series A Bonds on behalf of a Plan and other factors, U.S. Department of Labor Prohibited Transaction Class Exemption ("PTCE") 75-1 (relating to certain broker-dealer transactions), PTCE 84-14 (relating to transactions effected by "qualified professional asset managers"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by an insurance company general account), or PTCE 96-23 (relating to transactions directed by certain "in-house asset managers") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code for certain transactions between Plans and persons who are Parties in Interest solely by reason of providing services to such Plans or that are affiliated with such service providers, provided generally that such persons are not fiduciaries (or affiliates of such fiduciaries) with respect to the "plan assets" of any Plan involved in the transaction and that certain other conditions are satisfied.

By its acceptance of a 2012 Series A Bond, each Purchaser will be deemed to have represented and warranted that either (i) no "plan assets" of any Plan have been used to purchase such 2012 Series A Bond, or (ii) the Underwriter is not a Party in Interest with respect to the "plan assets" of any Plan used to purchase such 2012 Series A Bond, or (iii) the purchase and holding of such 2012 Series A Bonds is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption.

Each Plan fiduciary (and each fiduciary for a governmental or church plan subject to the rules similar to those imposed on Plans under Section 406 of ERISA or Section 4975 of the Code) should consult with its legal advisor concerning an investment in any of the 2012 Series A Bonds.

## RATING

The 2012 Series A Bonds have been rated "Aa1" by Moody's Investors Service. Such rating reflects only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 250 Greenwich, New York, New York, 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the 2012 Series A Bonds.

## FORWARD LOOKING STATEMENTS

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

## LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2012 Series A Bonds by the City are subject to the approving opinion of Hawkins Delafield & Wood LLP, Portland, Oregon, Bond Counsel. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2012 Series A Bonds, the Ordinance, the Bond Declaration, and the authority to issue the 2012 Series A Bonds conform to the 2012 Series A Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions "THE 2012 SERIES A BONDS" and "TAX MATTERS" have been reviewed and approved by Bond Counsel. All other representations of law and factual statements contained in this Official Statement, including but not limited to all financial and statistical information and representations contained herein, have not been reviewed or approved by Bond Counsel.

## LITIGATION

There is no litigation pending or threatened against the City which impairs the City's ability to make principal and interest payments on the 2012 Series A Bonds when due. Except as noted in the following paragraph, there is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the City.

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

## CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the 2012 Series A Bonds, the City will deliver a certificate to the Underwriters to the effect that the City has examined this Official Statement and the financial and other data concerning the City contained herein and that, to the best of the City's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2012 Series A Bonds, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of this Official Statement and the date of delivery of the 2012 Series A Bonds, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

## MISCELLANEOUS

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference should be made to said laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the Underwriters or owners of any of the 2012 Series A Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies, since the date hereof.

## CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix D for the benefit of the 2012 Series A Bond holders.

The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

## CONCLUDING STATEMENT

This Official Statement has been deemed final by the City for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The undersigned certifies that to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2012 Series A Bonds, does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) between the date of this Official Statement and the date of delivery of the 2012 Series A Bonds there has been no material change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by this Official Statement.

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

**CITY OF PORTLAND, OREGON**

By:________________________________
Debt Manager
Office of Management and Finance

CITY OF PORTLAND, OREGON

1851

# APPENDIX A
# BOND DECLARATION

CITY OF PORTLAND, OREGON
1851

# BOND DECLARATION

## City of Portland, Oregon

**Limited Tax Revenue Bonds, 2012 Series A**
**JELD-WEN Field Project**
**(Federally Taxable)**

**Executed on behalf of the City of Portland, Oregon**
**as of the __ day of April, 2012**

**TABLE OF CONTENTS**



This table of contents is not a part of the bond declaration but is provided for reference only.

## Bond Declaration

THIS BOND DECLARATION is executed as of April __, 2012, on behalf of the City of Portland, Oregon (the "City") by its Debt Manager pursuant to City Ordinance No. 183070 and Oregon Revised Statutes Section 287A.150, to establish the terms under which the City's Limited Tax Revenue Bonds, 2012 Series A, JELD-WEN Field Project (Federally Taxable) are issued.

**Section 1. Findings.**

(1) The City is authorized by Oregon Revised Statutes Section 287A.150 and City Ordinance No. 183070 adopted by the City Council on August 5, 2009, to execute this Bond Declaration and issue bonds in a maximum principal amount of $12,000,000 to finance the City's JELD-WEN Field Project.

(2) The City executes this Bond Declaration to memorialize the terms of the City's Limited Tax Revenue Bonds, 2012 Series A, JELD-WEN Field Project (Federally Taxable).

**Section 2. Definitions.**

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

"2012 Series A Bonds" means the City's Limited Tax Revenue Bonds, 2012 Series A, JELD-WEN Field Project (Federally Taxable) that are described in Section 3 of this Bond Declaration.

"Available General Funds" means revenues which are legally available to pay the bonds and not prohibited for such use under the charter and ordinances of the City and Oregon laws, and includes all taxes and other legally available general funds of the City.

"BEO" means "book-entry-only" and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

"Bond Declaration" means this Bond Declaration, including any amendments made in accordance with Section 7 of this Bond Declaration.

"Business Day" means any day except a Saturday, a Sunday, a legal holiday, a day on which the Paying Agent or offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

"City" means the City of Portland, Oregon.

"Code" means the Internal Revenue Code of 1986, as amended.

"Debt Manager" means the City's Debt Manager, City Treasurer, Chief Financial Officer of the Bureau of Financial Services, Chief Administrative Officer of the Office of Management and Finance, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act on behalf of the City pursuant to the Ordinance.

"DTC" means the Depository Trust Company of New York, the initial securities depository for the 2012 Series A Bonds.

"Event of Default" refers to an Event of Default listed in Section 8(1) of this Bond Declaration.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by Oregon law.

"Government Obligations" means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

"Ordinance" means City Ordinance No. 183070 adopted by the City Council on August 5, 2009.

"Outstanding" refers to all 2012 Series A Bonds authorized and delivered pursuant to this Bond Declaration except 2012 Series A Bonds which have been paid, canceled, or defeased pursuant to Section 9 of this Bond Declaration, and 2012 Series A Bonds which have matured but have not been presented for payment for the payment of which adequate money has been transferred to the Paying Agent.

"Owner" means the person shown on the 2012 Series A Bond register maintained by the Paying Agent as the registered owner of a 2012 Series A Bond.

"Paying Agent" means the registrar and paying agent for the 2012 Series A Bonds, which, at the time of execution of this Bond Declaration, is U.S. Bank National Association, in Portland, Oregon.

"Payment Date" means any day on with principal, interest or premium on 2012 Series A Bonds is required to be paid.

**Section 3. 2012 Series A Bonds Authorized.**

(1) Pursuant to Oregon Revised Statutes Sections 287A.150 and 287A.360 and the Ordinance, the City hereby authorizes the issuance, sale and delivery of its Limited Tax Revenue Bonds, 2012 Series A in accordance with this Bond Declaration and in a principal amount of $[principal amount]. The 2012 Series A Bonds shall be dated April __, 2012, shall bear interest which is payable on June 1 and December 1 of each year, commencing December 1, 2012, and shall mature on June 1 of the following years in the following principal amounts:

| **Due June 1** | **Principal Amount ($)** | **Interest Rate (%)** | **CUSIP Number (Base 736740)** |
|---|---|---|---|

(2) The 2012 Series A Bonds are subject to optional redemption by the State prior to their stated maturity dates, as a whole or in part, on any business day, at the "Make-Whole Redemption Price," plus accrued and unpaid interest on the 2012 Series A Bonds to be redeemed on the date fixed for redemption. The following definitions shall apply to the terms used in this 0:

A. The "Make-Whole Redemption Price" is the greater of (i) 100 percent of the principal amount of the 2012 Series A Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2012 Series A Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2012 Series A Bonds are to be redeemed, discounted to the date on which the 2012 Series A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" defined below, plus basis points.

B. "Treasury Rate" means, with respect to any redemption date for a 2012 Series C Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

C. "Comparable Treasury Issue" means, with respect to any redemption date for a 2012 Series C Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the 2012 Series C Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the 2012 Series C Bond to be redeemed.

D. "Comparable Treasury Price" means, with respect to any redemption date for a 2012 Series C Bond:

i. the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m. New York City time, on the Valuation Date; or

ii. if the yield described in (1) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all quotations obtained by the Designated Investment Banker.

E. "Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the State.

F. "Reference Treasury Dealer" means each of four firms, specified by the State from time to time, that are primary United States Government securities dealers in the City of New York (each, a "Primary Treasury Dealer"); provided, that if any of them ceases to be a Primary Treasury Dealer, the State is to substitute another Primary Treasury Dealer.

G. "Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a 2012 Series C Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the Valuation Date.

H. "Valuation Date" means a date selected by the State which is at least three (3) Business Days but not more than twenty (20) calendar days preceding the date on which the Paying Agent is required to give notice of redemption pursuant to Section 5(1).

(3) Selection of 2012 Series A Bonds for Redemption.

A. If the 2012 Series A Bonds are not registered in book-entry only form, any redemption of less than all of a maturity of the 2012 Series A Bonds shall be effected by the Paying Agent among owners on a pro-rata basis subject to minimum Authorized Denominations. The particular 2012 Series A Bonds to be redeemed shall be determined by the Paying Agent, using such method as it shall deem fair and appropriate.

B. If the 2012 Series A Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the 2012 Series A Bonds, if less than all of the 2012 Series A Bonds of a maturity are called for prior redemption, the particular 2012 Series A Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the 2012 Series A Bonds are held in book-entry form, the selection for redemption of such 2012 Series A Bonds shall be made in accordance with the operational arrangements of DTC then in effect that at issuance provided for adjustment of the principal by a factor provided pursuant to DTC operational arrangements. If the Paying Agent does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the 2012 Series A Bonds shall be selected for redemption by lot in accordance with DTC procedures. Redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the State and the Beneficial Owners are to be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. If the DTC operational arrangements do not allow for the redemption of the 2012 Series A Bonds on a Pro Rata Pass-Through Distribution of Principal basis as described above, then the 2012 Series A Bonds shall be selected for redemption by lot in accordance with DTC procedures.

(4) The 2012 Series A Bond proceeds will be used to finance or refinance costs of the JELD-WEN Field Project and to pay costs related to the 2012 Series A Bonds.

(5) The City reserves the right to purchase 2012 Series A Bonds in the open market.

**Section 4. Security for 2012 Series A Bonds.**

(1) The City hereby pledges its full faith and credit to pay the 2012 Series A Bonds and agrees to pay the 2012 Series A Bonds from its Available General Funds if other funds are not available in sufficient amounts to pay the 2012 Series A Bonds.

(2) The 2012 Series A Bonds are not secured by a pledge of, or lien on, any revenues or property of the City.

(3) This Bond Declaration shall constitute a contract with the Owners.

**Section 5. Book Entry System.**

The 2012 Series A Bonds shall be initially issued in BEO form and shall be governed by this Section 5. While the 2012 Series A Bonds are in BEO form no physical 2012 Series A Bonds shall be provided to the Owners. An official of the City has executed and delivered a blanket letter of representations to DTC. While the 2012 Series A Bonds are in BEO form, registration and transfer of beneficial interests in the 2012 Series A Bonds shall be governed by that letter and the operational arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer letter of representations. So long as the 2012 Series A Bonds are in BEO form:

(1) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to the Owners of the 2012 Series A Bonds. 2012 Series A Bond payments shall be made to DTC in accordance with the letter of representations. The City shall cause the Paying Agent to notify DTC not less than 20 days prior to the date fixed for redemption or such lesser time as may be permitted under DTC's operational arrangements then in effect. Any failure of DTC to advise any of its participants, or of

any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2012 Series A Bonds called for redemption or of any other action premised on such notice.

(2) Any notice of optional redemption given for the 2012 Series A Bonds pursuant to Section 5(1) may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2012 Series A Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected owners of the 2012 Series A Bonds as promptly as practicable.

(3) The City may discontinue maintaining the 2012 Series A Bonds in the BEO form at any time. The City shall discontinue maintaining the 2012 Series A Bonds in BEO form if DTC determines not to continue to act as securities depository for the 2012 Series A Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.

(4) If the City discontinues maintaining the 2012 Series A Bonds in book-entry only form, the City shall cause the Paying Agent to authenticate and deliver replacement 2012 Series A Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 6 below, regarding registration, transfer and exchange of 2012 Series A Bonds shall apply.

(5) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:

A. the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the 2012 Series A Bonds;

B. the delivery to any participant or correspondent or any other person of any notice with respect to the 2012 Series A Bonds, including any notice of prepayment;

C. the selection by DTC of the beneficial interest in 2012 Series A Bonds to be redeemed prior to maturity; or

D. the payment to any participant, correspondent, or any other person other than the registered owner of the 2012 Series A Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the 2012 Series A Bonds.

E. The provisions of this Section 5 may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of

DTC or any successor depository for 2012 Series A Bonds issued in book-entry only form.

**Section 6. Authentication, Registration and Transfer.**

(1) No 2012 Series A Bond shall be entitled to any right or benefit under this Bond Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2012 Series A Bonds to be delivered at the closing of the 2012 Series A Bonds, and shall additionally authenticate all 2012 Series A Bonds properly surrendered for exchange or transfer pursuant to this 2012 Series A Bond Declaration.

(2) The ownership of all 2012 Series A Bonds shall be entered in the 2012 Series A Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2012 Series A Bond register as the owner of the 2012 Series A Bond for all purposes.

(3) While the 2012 Series A Bonds are in book-entry only form, the Paying Agent shall transfer 2012 Series A Bond principal and interest payments in the manner required by DTC.

(4) If the 2012 Series A Bonds cease to be in book-entry only form, the Paying Agent shall mail each interest payment on the interest payment date (or the next Business Day if the payment date is not a Business Day) to the name and address of the Owners as they appear on the 2012 Series A Bond register as of the record date for the 2012 Series A Bonds. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.

(5) 2012 Series A Bonds may be exchanged for an equal principal amount of 2012 Series A Bonds of the same maturity which are in different denominations, and 2012 Series A Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:

A. written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent, and

B. the 2012 Series A Bonds to be exchanged or transferred.

(6) The Paying Agent shall not be required to exchange or transfer any 2012 Series A Bonds submitted to it during any period beginning with a record date and ending on the next following payment date; however, such 2012 Series A Bonds shall be exchanged or transferred promptly following that payment date.

(7) The Paying Agent shall note the date of authentication on each 2012 Series A Bond. The date of authentication shall be the date on which the Owner's name is listed on the 2012 Series A Bond register.

(8) For purposes of this Section 6, 2012 Series A Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 6(5), above.

(9) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

**Section 7. Amendment of Bond Declaration.**

(1) The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:

A. To cure any ambiguity or formal defect or omission in this Bond Declaration;

B. To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;

C. To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any Supplemental Bond Declaration;

D. To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.

(2) This Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected 2012 Series A Bonds then Outstanding. However, no amendment shall be valid which:

A. Extends the maturity of any 2012 Series A Bonds, reduces the rate of interest upon any 2012 Series A Bonds, extends the time of payment of interest on any 2012 Series A Bonds, reduces the amount of principal payable on any 2012 Series A Bonds, or reduces any premium payable on any 2012 Series A Bonds, without the consent of the affected Owner; or

B. Reduces the percent of Owners required to approve amendments to this Bond Declaration.

**Section 8. Default and Remedies.**

(1) The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:

A. Failure by the City to pay 2012 Series A Bond principal, interest or premium when due (whether at maturity, or upon redemption after a 2012 Series A Bond has been properly called for redemption);

B. Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of 2012 Series A Bonds, for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of 2012 Series A Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 8(1)(B); or,

C. The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.

(2) The Owners of ten percent or more of the principal amount of 2012 Series A Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 8(1)(A).

(3) Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent or more of the principal amount of 2012 Series A Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of 2012 Series A Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of 2012 Series A Bonds by this Bond Declaration or by law. However, the 2012 Series A Bonds shall not be subject to acceleration.

(4) No remedy in this Bond Declaration conferred upon or reserved to Owners of 2012 Series A Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of 2012 Series A Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Bond Declaration or by law.

**Section 9. Defeasance.**

The City shall be obligated to pay 2012 Series A Bonds which are defeased pursuant to this Section solely from the money and Government Obligations deposited with an escrow agent or independent trustee, and the City shall have no further obligation to pay the defeased 2012 Series A Bonds from any source except the amounts deposited in the escrow. 2012 Series A Bonds shall be deemed defeased if the City:

(1) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient for the payment of the 2012 Series A Bonds which are to be defeased without reinvestment; and

(2) files with the escrow agent or trustee a verification from an independent, certified public accountant to the effect that calculation, described above, is correct; and

(3) files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the 2012 Series A Bonds to be includable in gross income under the Code.

**Section 10. Form.**

The 2012 Series A Bonds shall be issued in substantially the form attached to hereto as Appendix A, with any changes that are approved by the Debt Manager. The 2012 Series A Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

**Section 11. Rules of Construction.**

In determining the meaning of provisions of this Bond Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

(1) References to section numbers shall be construed as references to sections of this Bond Declaration.

(2) References to one gender shall include all genders.

(3) References to the singular shall include the plural, and references to the plural shall include the singular.

Dated as of the __ day of April, 2012.

**City of Portland, Oregon**

By______________________________
B. Jonas Biery, Debt Manager

## Appendix A

No. R-«BondNumber» $«PrincipalAmtNumber»

**UNITED STATES OF AMERICA**
**STATE OF OREGON**
**COUNTIES OF MULTNOMAH, WASHINGTON AND CLACKAMAS**
**CITY OF PORTLAND**
**LIMITED TAX REVENUE BOND, 2012 SERIES A**
**JELD-WEN FIELD PROJECT**
**(FEDERALLY TAXABLE)**

**Dated Date**: April __, 2012
**Interest Rate Per Annum**: «CouponRate»%
**Maturity Date**: June 1, «MaturityYear»
**CUSIP Number**: 736740«CUSIPNumbr»
**Registered Owner**: -----Cede & Co.-----
**Principal Amount**: -----«PrincipalAmtSpelled» Dollars-----

The City of Portland, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of June and the first day of December in each year until maturity or prior redemption, commencing December 1, 2012. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating $_________ in principal amount designated as Limited Tax Revenue Bonds, 2012 Series A, JELD-WEN Field Project (Federally Taxable) (the "Bonds"). The Bonds are issued to finance costs of the City's JELD-WEN Field Project and to pay costs related to the Bonds. The Bonds are authorized by City Ordinance No. 183070 (the "Ordinance") and Oregon Revised Statutes Section 287A.150, in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City. The terms of the Bonds are described in a Bond Declaration dated as of April __, 2012 (the "Bond Declaration").

The Bonds constitute valid and legally binding obligations of the City. The City has pledged its full faith and credit for the punctual payment of the principal of and interest on the Bonds and agreed to pay the Bonds from its Available General Funds, as defined and provided in the Bond Declaration. The City is not authorized to levy any additional taxes to pay the Bonds. The Bonds do not constitute a debt or indebtedness of Multnomah, Washington, or Clackamas Counties, the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are initially issued in book-entry-only form with no certificates provided to the beneficial owners of the Bonds. The Depository Trust Company and its participants will maintain records of ownership of beneficial interests in the Bonds. Should the book-entry only security system be discontinued, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees, as provided in the Ordinance.

The Bonds are subject to redemption prior to their stated maturity dates as described in the final Official Statement for the Bonds that is dated [official statement date], 2012.

Any exchange or transfer of this Bond must be registered, as provided in the Ordinance, upon the Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Ordinance. The City and the Paying Agent may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Ordinance.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to Issuer or its agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entry as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Registrar and The Depository Trust Company.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; and that the issue of which this Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter.

IN WITNESS WHEREOF, the Council of the City of Portland, Oregon, by ordinances duly enacted, has caused this Bond to be signed by facsimile signature of its Mayor and countersigned by facsimile signature of its Auditor, and has caused a facsimile of the corporate seal of the City to be imprinted hereon, all as of the date first above written.

**City of Portland, Oregon**

Sam Adams, Mayor

LaVonne Griffin-Valade, Auditor

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE PAYING AGENT IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of $___________ aggregate principal amount of City of Portland, Oregon Limited Tax Revenue Bonds, 2012 Series A, JELD-WEN Field Project (Federally Taxable) issued pursuant to the Ordinance described herein.

Date of authentication: _____, 2012.

**U.S. Bank National Association**, as Paying Agent

______________________________________________________

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto __________

________________________________________________________________________________

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint ________________________________________ ____________________________________________ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated:____________________________________________________________________________

---------------------------------------------

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company

Signature Guaranteed

___________________________________

(Bank, Trust Company or Brokerage Firm)

___________________________________

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship
 and not as tenants in common
OREGON CUSTODIANS use the following
_________________ CUST UL OREG __________________ MIN
 as custodian for (name of minor)
OR UNIF TRANS MIN ACT
under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.

Additional abbreviations may also be used though not in the list above.

CITY OF PORTLAND, OREGON

1851

# APPENDIX B
# EXCERPTS OF AUDITED FINANCIAL STATEMENTS

CITY OF PORTLAND, OREGON

1851

## INTRODUCTION TO EXCERPTS OF FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2007, 2008, 2009, 2010 and 2011. Copies of these financial statements containing the reports of the independent certified public accountants are available on the City's website at:

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

The following pages in this Appendix B are excerpted from the City's Comprehensive Annual Financial Reports of the City for Fiscal Years ending June 30, 2007 through June 30, 2011. The Notes that follow the tabular data have been prepared by the City and have not been reviewed by the independent auditor.

**A CONSENT OF THE INDEPENDENT AUDITOR WAS NOT REQUESTED. THE AUDITOR WAS NOT REQUESTED TO PERFORM AND HAS NOT PERFORMED ANY SERVICE IN CONNECTION WITH THE OFFERING OF THE 2012 SERIES A BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2012 SERIES A BONDS.**

CITY OF PORTLAND, OREGON
1851

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

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Taxes | $264,410,825 | $281,269,341 | $302,898,344 | $310,913,493 | $319,045,070 |
| Payments in lieu of taxes | 1,259,198 | 1,434,002 | 758,737 | 700,819 | 408,159 |
| Rents and reimbursements | 3,217,317 | 3,759,621 | 3,921,431 | 3,809,186 | 3,959,316 |
| Licenses and fees (1) | 143,698,767 | 149,013,133 | 141,974,295 | 135,753,548 | 141,302,069 |
| Intergovernmental revenues | 28,203,768 | 26,001,207 | 29,288,133 | 29,098,438 | 25,383,062 |
| Charges for services(2) | 72,175,566 | 73,795,390 | 60,736,199 | 53,859,288 | 48,250,025 |
| Miscellaneous service charges | 2,306,192 | 3,631,990 | 2,947,396 | 2,833,318 | 2,207,201 |
| Investment earnings | 7,588,918 | 7,470,499 | 5,219,844 | 846,571 | 1,621,034 |
| Other miscellaneous revenues | 774,796 | 623,088 | 3,509,891 | 2,958,004 | 2,876,120 |
| Total revenues | 523,635,347 | 546,998,271 | 551,254,270 | 540,772,665 | 545,052,056 |
| **Expenditures** | | | | | |
| Public safety | 311,162,725 | 326,388,826 | 340,683,111 | 353,868,421 | 355,237,833 |
| Parks/recreation/cultural | 58,224,659 | 59,218,279 | 55,051,936 | 61,469,945 | 61,497,188 |
| Community development | 44,596,138 | 48,921,442 | 35,991,649 | 41,784,300 | 31,448,667 |
| Transportation/metered parking | -- | -- | -- | -- | 2,819 |
| Support svcs./legis./admin. | 69,953,137 | 70,242,455 | 74,903,683 | 62,110,207 | 58,601,261 |
| Capital outlay | 4,383,485 | 5,078,171 | 358,618 | 3,590,728 | 1,756,789 |
| Debt service and related costs (3) | 240,755 | 2,039,003 | 2,065 | 4,916,113 | 5,318,785 |
| Total expenditures | 488,560,899 | 511,888,176 | 506,991,062 | 527,739,714 | 513,863,342 |
| Revenues over (under) expenditures | 35,074,448 | 35,110,095 | 44,263,208 | 13,032,951 | 31,188,714 |
| **Other Financing Sources (Uses)** | | | | | |
| Transfers in | 25,172,899 | 17,390,723 | 9,718,996 | 3,760,257 | 4,739,963 |
| Transfers out | (48,201,134) | (52,887,840) | (52,369,567) | (58,683,013) | (34,258,943) |
| Proceeds from sale of capital assets | -- | -- | 1,202,998 | 6,787 | 5,653 |
| Loan proceeds | -- | -- | -- | -- | -- |
| Total other sources (uses) | (23,028,235) | (35,497,117) | (41,447,573) | (54,915,969) | (29,513,327) |
| Net change in fund balances | 12,046,213 | (387,022) | 2,815,635 | (41,883,018) | 1,675,387 |
| **Fund balance, beginning** | 119,280,600 | 131,326,813 | 130,939,791 | 133,755,426 | 91,872,408 |
| Reclassifications: | | | | | |
| Special revenue fund to general fund per GASB 54 | -- | -- | -- | -- | 532,992 |
| **Fund balances, ending** | $131,326,813 | $130,939,791 | $133,755,426 | $91,872,408 | $94,080,787 |

Notes:

(1) Reflects internal and external utility license fees, business licenses, construction permits and other permits and penalties. Reductions in FY 2008-09 and FY 2009-10 are primarily as a result of the economic recession resulting in reductions to business license and construction permit charges.

(2) Reflects park and recreation fees, billing and overhead charges to other funds and inspection fees. The reductions in FY 2008-09 and FY 2009-10 are as a result of process improvements created by the City’s new financial reporting system implemented in November 2008. Under the new system interagency revenue is no longer recognized because the charges are direct billed to the bureau receiving the service.

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

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

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

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Unrestricted: | | | | | |
| Cash and investments (1) | $135,369,404 | $145,311,441 | $117,073,956 | $71,254,278 | $75,817,940 |
| Receivables: | | | | | |
| Taxes | 13,114,426 | 14,370,341 | 18,519,259 | 18,871,533 | 11,517,113 |
| Accounts, interest and advances (2) | 18,095,929 | 19,882,956 | 29,740,044 | 24,183,060 | 23,885,800 |
| Assessments | 2,157 | 21,894 | 44,041 | 53,804 | 67,947 |
| Due from other funds | 8,739,691 | 3,962,233 | 9,203,475 | 49,758 | 28,234 |
| Due from component units | 653,444 | 531,074 | 261,186 | 794,924 | 534,328 |
| Internal loans | -- | -- | -- | 8,506,660 | 500,000 |
| Prepaid Items | 1,996 | -- | 2,791,250 | 2,369,171 | 234,968 |
| Restricted: | | | | | |
| Cash and investments (1) | -- | -- | -- | -- | 5,458,561 |
| Receivables: | | | | | |
| Taxes | -- | -- | -- | -- | 6,555,139 |
| **Total Assets** | $175,977,047 | $184,079,939 | $177,633,211 | $126,083,188 | $124,600,030 |
| **LIABILITIES:** | | | | | |
| Liabilities payable from unrestricted assets: | | | | | |
| Accounts payable | $9,667,094 | $15,629,222 | $11,018,683 | $9,362,421 | $7,385,335 |
| Deferred revenue | 6,021,812 | 6,997,217 | 12,672,604 | 9,407,576 | 9,467,829 |
| Unearned revenue (3) | 20,272,932 | 17,922,453 | 4,900 | 30,918 | 64,114 |
| Due to other funds | -- | 356,665 | -- | -- | -- |
| Due to component unit | 128,526 | 1,638,147 | 3,500,120 | 2,641,780 | 1,588,265 |
| Due to fiduciary fund | 4,362,811 | 4,836,049 | 6,569,936 | 6,782,859 | 0 |
| Other liabilities | 4,197,059 | 5,760,395 | 10,111,542 | 5,985,226 | 0 |
| Liabilities payable from restricted assets: | | | | | |
| Due to fiduciary fund | -- | -- | -- | -- | 6,555,139 |
| Other liabilities | -- | -- | -- | -- | 5458561 |
| **Total Liabilities** | 44,650,234 | 53,140,148 | 43,877,785 | 34,210,780 | 30,519,243 |
| **FUND BALANCE:** | | | | | |
| Unreserved | 131,326,813 | 130,939,791 | 133,755,426 | 91,872,408 | -- |
| Nonspendable | -- | -- | -- | -- | 234,968 |
| Committed | -- | -- | -- | -- | 46,294,375 |
| Assigned | -- | -- | -- | -- | 23,588,446 |
| Unassigned | -- | -- | -- | -- | 23,962,998 |
| **Total Fund Balance** | 131,326,813 | 130,939,791 | 133,755,426 | 91,872,408 | 94,080,787 |
| **Total Liabilities and Fund Balance** | $175,977,047 | $184,079,939 | $177,633,211 | $126,083,188 | $124,600,030 |

Notes:

(1) In FY 2009-10 there were smaller amounts of unspent budget and unearned revenues as a result of bureaus spending a greater portion of their budget. In addition to that, there was an $8.5 million loan to the Grants Fund.
(2) The increase in FY 2008-09 is caused by slower collections as a result of the recession, delays in year-end billings and large accruals being setup as a result of process changes with the implementation of the City's new financial system.
(3) The reductions in FY 2008-09 and FY 2009-10 are as a result of a restructuring of how business licenses fees are billed. Beginning in FY 2008-09 business license fees are billed in arrears. They were previously billed in advance.

Source: City of Portland audited annual financial statements.

# APPENDIX C
# LEGAL OPINION

CITY OF PORTLAND, OREGON

1851

__________, 2012

City of Portland
1221 S.W. Fourth Avenue, Room 120
Portland, Oregon 97204

[Initial Purchaser]

Subject: $__________ City of Portland, Oregon, Limited Tax Revenue Bonds, 2012 Series A JELD-WEN Field Project, (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Portland, Oregon (the "City") of its Limited Tax Revenue Bonds, 2012 Series A JELD-WEN Field Project (Federally Taxable) (the "Bonds"), which are dated as of __________, 2012, and are in the aggregate principal amount of $__________. The Bonds are authorized by Oregon Revised Statutes Section 287A.150, City Ordinance No. 184945 adopted by the City Council on ______ (the "Ordinance"), and a Bond Declaration dated as of the date of delivery of the Bonds (the "Declaration").

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

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

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

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

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

2. The City has pledged its full faith and credit to the payment of the Bonds. The Bonds are also secured by the Available General Funds of the City as described in the Declaration.

3. Interest on the Bonds is includable in gross income for federal income tax purposes.

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

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

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

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur or become effective.

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

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

This opinion is given solely for your benefit in connection with the Bonds and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the Bonds, nor may copies be furnished to any other person or entity, without the prior written consent of Hawkins Delafield & Wood LLP.

We have served only as bond counsel to the City in connection with the Bonds and have not represented any other party in connection with the Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City.

Respectfully submitted,

HAWKINS DELAFIELD & WOOD LLP

Lawyers

# APPENDIX D
# CONTINUING DISCLOSURE CERTIFICATE

CITY OF PORTLAND, OREGON
1851

**CONTINUING DISCLOSURE CERTIFICATE**

**$__________**
**City of Portland, Oregon**
**Limited Tax Revenue Bonds**
**2012 Series A**
**JELD-WEN Field Project**
**(Federally Taxable)**

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Portland, Oregon (the "City") in connection with the issuance of the City's Limited Tax Revenue Bonds, 2012 Series A, JELD-WEN Field Project (Federally Taxable) (the "Bonds").

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

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

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

"Bondowners" means the registered owners of the Bonds, as shown on the bond register maintained by the Paying Agent for the Bonds, and any Beneficial Owners.

"Commission" means the Securities and Exchange Commission.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosure established by the MSRB and accessible at http://emma.msrb.org/.

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

"Official Statement" means the final official statement for the Bonds dated __________, 2012.

"Rule" means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Financial Information. The City agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data for the prior fiscal year (commencing no later than March 31, 2013, for the fiscal year ended June 30, 2012):

A. The City's previous fiscal year annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors); and

B. To the extent not included in those annual financial statements, information generally of the type included in the Official Statement under the heading "Annual Disclosure Information."

Section 4. Timing. The information described in Section 3 above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the MSRB.

The City agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information described in Sections 3.A and 3.B above on or prior to the date set forth in the preceding paragraph.

Section 5. Material Events. The City to provide or cause to be provided to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

(a) Principal and interest payment delinquencies;

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

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

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

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

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

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

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

(i) Defeasances;

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

(k) Rating changes;

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

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

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

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

Section 6. Failure to File Annual Financial Information. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of a failure by the City to provide the annual financial information described in Section 3 above on or prior to the time set forth in Section 3.

Section 7. Termination/Modification. The City's obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This Certificate, or any provision hereof, shall be null and void if the City (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) notifies the MSRB of such opinion and the cancellation of this Certificate.

Section 8. Amendment. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 3.A or 3.B or Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City with respect to the Bonds, or the type of business conducted;

B. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver either (i) is approved by the Bondowners or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Bondowner's Remedies Under This Certificate. The right of any Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds hereunder. Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the documents authorizing issuance of the Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of the City to comply with this Certificate shall be an action to compel performance.

Section 10. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB.

Section 11. Filing with EMMA. Any filings required by this certificate to be made with the MSRB may be made through EMMA so long as it is approved by the MSRB.

Section 12. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the __ day of _____, 2012.

**City of Portland, Oregon**

________________________________

B. Jonas Biery, Debt Manager

# APPENDIX E
# BOOK ENTRY SYSTEM

CITY OF PORTLAND, OREGON
1851

# BOOK ENTRY SYSTEM

DTC LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE
(Prepared by DTC—bracketed material may be applicable only to certain issues)

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

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

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed

amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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

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

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

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

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

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

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

CITY OF PORTLAND, OREGON
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CITY OF PORTLAND, OREGON

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