

**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 6, 2012**

**NEW ISSUE—Competitive via *PARITY*  
BOOK-ENTRY ONLY**

**SALE DATE: August 14, 2012  
RATING: Moody's MIG 1**

*In the opinion of Note Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In the opinion of Note Counsel, interest on the Notes is exempt from Oregon personal income tax under existing law. See "TAX MATTERS" herein for a discussion of the opinion of Note Counsel.*

**City of Portland, Oregon  
\$21,020,000\*  
Tax Anticipation Notes  
Series 2012  
(Fire and Police Disability and Retirement Fund)**

**DATED:** Date of Delivery

**DUE:** June 27, 2013

The Tax Anticipation Notes, Series 2012 (Fire and Police Disability and Retirement Fund) (the "Notes") will be issued in registered book-entry only form, without coupons, in denominations of \$5,000 or integral multiples thereof. The Notes, 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 Notes. While Cede & Co. is the registered owner of the Notes (the "Owner") as nominee of DTC, references herein to the Note owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Notes. See "Book-Entry System" herein.

The principal of and interest on the Notes is payable only at maturity on June 27, 2013. While the Notes are in book-entry form, principal of and interest on the Notes will be paid through DTC. See "Book-Entry System" herein.

The Notes are issued pursuant to Oregon Revised Statutes Section 287A.180 and Ordinance No. 185372 adopted May 30, 2012, which authorizes the City to borrow sufficient funds in anticipation of its Fire and Police Disability and Retirement Fund levy for Fiscal Year ("FY") 2012-13.

The Notes will be issued for the purpose of meeting current expenses of the Fire and Police Disability and Retirement ("FPDR") Fund pending collection of annual tax levy receipts for FY 2012-13. Proceeds of the Notes will also be used to pay issuance costs. The City has irrevocably pledged the ad valorem taxes it has budgeted to receive for the FPDR Fund in FY 2012-13 and its full faith and credit to the punctual payment of principal and interest on the Notes. The principal amount of and estimated interest on the Notes is approximately 19% of the expected FY 2012-13 FPDR Fund tax collections.

The Notes will be dated as indicated above, bear interest, and mature as follows:

**MATURITY SCHEDULE\***

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP Number</u>
6/27/2013	\$21,020,000	%		%	

*The Notes 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, Note Counsel, Portland, Oregon, and to certain other conditions. The City expects that the Notes will be available for delivery through the facilities of DTC in New York, New York on or about August 23, 2012.*

\* Preliminary, subject to change.



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

**\$21,020,000\***

**Tax Anticipation Notes  
Series 2012  
(Fire and Police Disability and Retirement Fund)**

**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, Interim 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

**NOTE COUNSEL**

Hawkins Delafield & Wood LLP  
Portland, Oregon

---

\* Preliminary, subject to change.



No dealer, broker, salesperson or other person has been authorized by the City of Portland (the “City”) to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Note Counsel’s review of this document is limited; see “LEGAL MATTERS” herein. This Official Statement 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. In accordance with its responsibilities under the federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness.

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

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

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

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

## TABLE OF CONTENTS

<b>OFFICIAL NOTICE OF SALE.....</b>	<b>i</b>
<b>INTRODUCTION .....</b>	<b>1</b>
<b>THE NOTES.....</b>	<b>1</b>
AUTHORIZATION AND PURPOSE .....	1
FORM AND PAYMENT .....	1
SECURITY FOR THE NOTES.....	1
REDEMPTION .....	2
ESTIMATED CASH FLOW FOR FY 2012-13 .....	2
<b>PROPERTY TAX AND VALUATION INFORMATION .....</b>	<b>5</b>
SECTION 11 .....	5
SECTION 11B.....	6
LOCAL OPTION LEVIES.....	6
ELIGIBLE ELECTIONS .....	6
GENERAL OBLIGATION BONDS.....	6
COLLECTION.....	7
PROPERTY TAX EXEMPTION PROGRAMS .....	7
<b>FINANCIAL AND OPERATING INFORMATION.....</b>	<b>13</b>
FINANCIAL OPERATIONS.....	13
CITY BUDGET PROCESS.....	15
INSURANCE.....	16
PENSION PLANS.....	17
OTHER POST-EMPLOYMENT RETIREMENT BENEFITS (“OPEB”).....	20
CITY INDEBTEDNESS .....	21
<b>CITY ECONOMIC CHARACTERISTICS .....</b>	<b>29</b>
PORTLAND-VANCOUVER-BEAVERTON METROPOLITAN STATISTICAL AREA.....	29
POPULATION.....	30
INCOME .....	31
EMPLOYMENT BY INDUSTRY .....	33
EMPLOYMENT BY INDUSTRY .....	33
REAL ESTATE.....	35
TRANSPORTATION AND DISTRIBUTION .....	37
TOURISM, RECREATION AND CULTURAL ATTRACTIONS .....	38
HIGHER EDUCATION.....	38

UTILITIES .....	39
AGRICULTURE.....	39
<b>THE INITIATIVE PROCESS .....</b>	<b>40</b>
PROCESS FOR QUALIFYING STATE-WIDE INITIATIVES TO BE PLACED ON THE BALLOT .....	40
FUTURE STATE-WIDE INITIATIVE MEASURES.....	41
LOCAL INITIATIVES .....	41
<b>TAX MATTERS.....</b>	<b>41</b>
OPINION OF NOTE COUNSEL .....	41
CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS .....	41
CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES .....	42
ORIGINAL ISSUE DISCOUNT .....	42
BOND PREMIUM .....	42
INFORMATION REPORTING AND BACKUP WITHHOLDING .....	42
MISCELLANEOUS.....	43
<b>RATING.....</b>	<b>43</b>
<b>LEGAL MATTERS .....</b>	<b>43</b>
<b>LITIGATION .....</b>	<b>43</b>
NO LITIGATION CHALLENGING THE NOTES .....	43
LITIGATION GENERALLY .....	43
<b>CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT.....</b>	<b>44</b>
<b>MISCELLANEOUS.....</b>	<b>44</b>
<b>FORWARD LOOKING STATEMENTS .....</b>	<b>44</b>
<b>CONTINUING DISCLOSURE.....</b>	<b>44</b>
<b>CONCLUDING STATEMENT .....</b>	<b>45</b>
<b>APPENDICES</b>	
A: ORDINANCE	
B: LEGAL OPINION	
C: CONTINUING DISCLOSURE CERTIFICATE	
D: BOOK-ENTRY SYSTEM	

## OFFICIAL NOTICE OF SALE

**\$21,020,000**  
**City of Portland, Oregon**  
**Tax Anticipation Notes**  
**Series 2012**  
**(Fire and Police Disability and Retirement Fund)**

NOTICE IS HEREBY GIVEN that the City of Portland, Oregon (the “City”) is soliciting bids to purchase its Tax Anticipation Notes, Series 2012 (Fire and Police Disability and Retirement Fund) (the “Notes”) until 9:00 a.m. (prevailing Pacific Time) on:

**August 14, 2012.**

Bids must be submitted electronically via **PARITY** in accordance with this Notice in the manner described below. Bids will be reviewed and announced at the City offices at the time of the sale.

**SECURITY AND RATING:** The ad valorem taxes the City has budgeted to receive for the Fire and Police Disability and Retirement Fund in FY 2012-13 and the full faith and credit of the City are pledged for the payment of principal of and interest on the Notes. The City has received a rating of MIG 1 from Moody’s Investors Service on the Notes.

**DATED AND DELIVERY DATE, INTEREST PAYMENT, AND MATURITY:** The Notes shall be dated the date of delivery, expected to be August 23, 2012, and shall mature on June 27, 2013. Interest on the Notes is payable at maturity and calculated on the basis of a 30/360 day year.

**ADJUSTMENT OF PRINCIPAL:** The principal amount for the Notes has been structured to reflect assumed premium couponing. The City reserves the right to adjust the principal amount specified in this Notice within 4 hours following receipt of bids to size the Notes so that the amount paid to the City for the Notes is approximately \$20,050,000. If the City adjusts the principal amount of the Notes, 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.

Bidders may contact the City prior to the sale date for an estimate of the final principal amount based upon the bidder’s proposed coupon, yield and purchase price.

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

**RIGHT TO CANCEL, CHANGE TIMING AND TERMS OF SALE:** The City reserves the right to change the sale date, maturity date, amount, timing, terms under which the Notes are offered for sale, to postpone the sale to a later date, to cancel the sale based upon market conditions, or to otherwise amend this Notice by posting changes to this Notice on i-Deal Prospectus.

**INTEREST RATE CONSTRAINTS:** Bidders must specify the interest rate or rates which the Notes shall bear. The bids shall comply with the following conditions: (1) each interest rate specified in any bid must be a multiple of one one-thousandth of one percent (0.001%); (2) no Note shall bear more than one rate of interest; (3) each Note shall bear interest from its date to the maturity date at the interest rate specified in the bid; and (4) no bid will be accepted which results in a true interest cost for the Notes of more than one percent (1.00%) per annum.

**DISCOUNT AND PREMIUM:** Bidders must specify a purchase price of not less than 99% and not more than 102.5% of the principal amount of the Notes.

**ADDITIONAL BID REQUIREMENTS:** No bid will be considered unless it offers to purchase all of the Notes. Each bid must specify an annual rate of interest and a premium or discount, if any, for the entire issue of Notes, and must state the price that the bidder will pay for the Notes.

**BASIS OF AWARD:** Unless all bids are rejected, the Notes will be awarded to the bidder whose bid produces the lowest overall true interest cost for the City. The true interest cost for the Notes will be determined by discounting the debt service on the Notes to August 23, 2012 (the expected delivery date of the Notes) using a 30/360 day year, with no compounding.

**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 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, City 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 \$400,000 not later than 1:00 p.m. Prevailing Pacific Time on August 14, 2012 (the date of sale). The good faith deposit must be in the form of: (a) a wire transfer to the account of the City designated by the City's Debt Manager at the time of the 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 Notes 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 Notes 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 Notes, and in no event shall the winning bidder be entitled to any such investment earnings (whether by means of a credit or otherwise).

Upon delivery of the Notes, the winning bidder for the Notes will receive a credit against the purchase price of the Notes in an amount equal to winning bidder's good faith deposit.

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

**BOOK-ENTRY-ONLY:** The Notes will be issued in registered, book-entry-only form through DTC. Unless the book-entry-only system is discontinued, Note principal and interest payments



will be made by the City to DTC through the City's paying agent, 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 Notes purchased. In addition, if the winning bidder is a member of the Securities Industry and Financial Markets Association ("SIFMA") it is obligated to pay SIFMA's standard charges.

**PURPOSE:** The Notes are being issued to finance the cash flow deficit of the Fire and Police Disability and Retirement Fund in fiscal year 2012-13, and to pay costs of issuance of the Notes.

**CERTIFICATE OF ISSUE PRICE, REOFFERING PRICE:** The winning bidder must provide the City's Debt Manager with the reoffering price and yield for the Notes within one hour after award of the bid. The reoffering price and yield so provided will be printed on the cover of the final official statement. In addition, the winning bidder must provide a certificate, satisfactory to Note Counsel, not later than two business days prior to the closing of the Notes, that contains information reasonably requested by the City and Note Counsel to permit the City to determine the "issue price" of the Notes (within the meaning of Treasury Regulations Section 1.148-1). Such certificate will state, in part, that (i) the successful bidder has made a bona fide offering of all of the Notes to the public at the reoffering yield or price provided by the successful bidder; and (ii) the successful bidder reasonably expected that the first price at which at least 10% of the Notes would be sold to the public would be the reoffering yield or price provided by the successful bidder. For these purposes, the term "public" does not include bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers. Failure to provide the reoffering price and yield, or the certificate satisfactory to Note Counsel, may result in cancellation of the sale and forfeiture of the winning bidder's good faith deposit.

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

**TAX-EXEMPT STATUS:** In the opinion of Note Counsel, under existing law and conditioned on the City complying with certain covenants relating to the tax-exempt status of the Notes, interest on the Notes is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, as provided in greater detail in the preliminary official statement for the Notes. In the opinion of Note Counsel, interest on the Notes is exempt from Oregon personal income tax under existing law.

**DELIVERY AND PAYMENT:** The City will deliver the Notes through the facilities of DTC. The winning bidder must pay for the Notes in funds immediately available to the City on the date and at the time of closing. Delivery of the Notes will be made within thirty days after the sale and is expected to occur on August 23, 2012.

**ADDITIONAL INFORMATION AND PRELIMINARY OFFICIAL STATEMENT:** Additional information and the preliminary official statement for the Notes will be provided upon request to Jonas Biery, Debt Manager, at the City's Office of Management and Finance, 1120 SW Fifth Avenue Avenue Room 1250, Portland, Oregon 97204, telephone (503) 823-6851, telecopier (503) 823-4222, e-mail [jonas.biery@portlandoregon.gov](mailto:jonas.biery@portlandoregon.gov). The preliminary official statement may also

be obtained from i-Deal Prospectus at [www.i-dealprospectus.com](http://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, upon request of the winning bidder, the City will provide the winning bidder with up to 50 copies of the final official statement for the Notes 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 provided in a form “deemed final” by the City, not later than three business days prior to the expected delivery date of the Notes. 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 is not required under the Rule to provide annual financial information. However, the City, as an “obligated person” within the meaning of the Rule is required to provide notices of material events and will enter into an undertaking to provide such disclosure for the benefit of the owners of the Notes, as required by the Rule, in substantially the form shown in the preliminary official statement.

**CUSIP:** The City will obtain CUSIP numbers for the Notes.

**CLOSING CERTIFICATES:** At the time of payment for the delivery of the Notes, the City will certify that there is no litigation pending affecting the validity of the Notes, 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**

**\$21,020,000\***

**Tax Anticipation Notes  
Series 2012  
(Fire and Police Disability and Retirement Fund)**

**INTRODUCTION**

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the “City”) and its Tax Anticipation Notes, Series 2012 (Fire and Police Disability and Retirement Fund) (the “Notes”), dated as of the Date of Delivery.

**THE NOTES**

**AUTHORIZATION AND PURPOSE**

The Notes are being issued pursuant to Oregon Revised Statutes (“ORS”) Section 287A.180 and Ordinance No. 185372 adopted May 30, 2012 (the “Ordinance”). See Appendix A for the Ordinance. The proceeds of the Notes will be used to meet current expenses of the City’s Fire and Police Disability and Retirement (“FPDR”) Fund pending collection of the annual tax levy receipts in FY 2012-13. Included herein as Table 1 is the FPDR Fund cash flow projection for FY 2012-13 without the Notes. Table 2 presents the FPDR Fund cash flow projection for FY 2012-13 with the Notes. A portion of the proceeds of the Notes will be used to pay issuance costs.

**FORM AND PAYMENT**

The Notes will mature on June 27, 2013, in the principal amounts shown on the cover of this Official Statement and will bear interest from the Dated Date at the interest rate indicated on the cover of this Official Statement. Interest is payable only at maturity and will be computed on a 30-day month, 360-day year basis, with no compounding of interest.

**SECURITY FOR THE NOTES**

The Notes are secured by a pledge of the ad valorem taxes the City has budgeted to receive for the FPDR Fund in FY 2012-13. The City pledges its full faith and credit to the punctual payment of principal of and interest on the Notes.

The City expects to certify a levy of \$123,564,952 for the FPDR Fund for FY 2012-13. This levy translates into a projected tax rate of \$2.60 of Assessed Value, or \$1.61 of gross Real Market Value. After discounts and delinquencies estimated at \$6,598,342, and an estimated reduction due to Measure 50 compression of approximately \$6,994,243, it is anticipated that the City will collect \$109,972,367 in ad valorem taxes for the FPDR Fund levied for FY 2012-13. Additionally, the City has budgeted \$2.1 million of prior years’ property taxes to be collected in FY 2012-13. The principal amount of the Notes is approximately 19 percent of the expected FY 2012-13 FPDR Fund current and prior year tax collections, and the principal of and estimated interest on the Notes is approximately 19 percent of expected FY 2012-13 FPDR Fund current and prior year tax collections.

---

\* Preliminary, subject to change.

**REDEMPTION**

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

**ESTIMATED CASH FLOW FOR FY 2012-13**

The City is issuing the Notes to provide for current expenses in its FPDR Fund. Property tax collections flow into the City at intervals that do not coincide with its expenditures. The City has found it necessary, pursuant to the authority under ORS Section 287A.180, to issue tax anticipation notes to meet its needs for the current expenses of these funds until property tax revenues for FY 2012-13 are received.

**Table 1**  
**CITY OF PORTLAND, OREGON**  
**Fire and Police Disability and Retirement Fund**  
**Projected Cash Flow without Tax Anticipation Notes**  
**Fiscal Year Ending June 30, 2013**  
**(000s)**

Period Ending Date	31-Jul	31-Aug	30-Sep	31-Oct	01 Nov – 07 Nov	08 Nov – 30 Nov	31-Dec	31-Jan	28-Feb	31-Mar	30-Apr	31-May	30-Jun	Total
<b>BEGINNING BALANCE</b>	\$20,763	\$12,884	\$4,721	(\$3,617)	(\$12,725)	(\$21,028)	\$42,268	\$67,911	\$58,803	\$50,448	\$45,459	\$36,161	\$26,719	\$20,763
<b>REVENUES</b>														
Property Taxes	767	644	516	478	-	63,969	34,476	1,267	769	4,099	553	530	4,004	112,072
Interest Earned	26	22	16	6	-	2	1	0	3	28	26	20	19	168
Miscellaneous	5	5	5	5	-	5	5	5	5	5	5	5	358	410
Tax Anticipation Notes (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Resources</b>	<b>\$21,561</b>	<b>\$13,554</b>	<b>\$5,259</b>	<b>(\$3,129)</b>	<b>(\$12,725)</b>	<b>\$42,949</b>	<b>\$76,750</b>	<b>\$69,183</b>	<b>\$59,579</b>	<b>\$54,579</b>	<b>\$46,043</b>	<b>\$36,715</b>	<b>\$31,099</b>	<b>\$133,414</b>
<b>EXPENDITURES</b>														
Base Pensions (2)	\$7,866	\$8,075	\$8,089	\$8,086	\$8,087	\$0	\$8,082	\$8,070	\$8,379	\$8,367	\$8,365	\$8,354	\$8,343	\$98,163
Supplemental Pensions	34	34	34	34	-	34	34	34	34	34	34	34	34	407
Short-term Disability	93	93	93	93	47	93	93	93	93	93	93	140	93	1,211
Long-Term Disability	233	235	235	231	-	231	234	230	230	230	230	230	230	2,779
Voc Rehab/Med Reimb./Funeral	6	5	5	6	0	5	5	6	5	5	6	5	5	65
Medical	193	154	154	193	39	116	154	193	154	154	193	154	154	2,002
Limited Duty Subsidy	-	-	-	25	-	-	-	83	-	-	25	58	-	190
OPSRP Reimbursements	-	-	-	649	-	-	-	1,375	-	-	676	720	2,292	5,712
Administrative Expenses	228	236	229	279	92	202	236	297	236	237	262	302	262	3,098
Capital Outlay	25	-	37	-	40	-	-	-	-	-	-	-	23	124
TANs Repayment/Issue Costs(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$8,677</b>	<b>\$8,833</b>	<b>\$8,876</b>	<b>\$9,596</b>	<b>\$8,304</b>	<b>\$680</b>	<b>\$8,839</b>	<b>\$10,380</b>	<b>\$9,132</b>	<b>\$9,120</b>	<b>\$9,883</b>	<b>\$9,996</b>	<b>\$11,436</b>	<b>\$113,751</b>
<b>ENDING BALANCE</b>	<b>\$12,884</b>	<b>\$4,721</b>	<b>(\$3,617)</b>	<b>(\$12,725)</b>	<b>(\$21,028)</b>	<b>\$42,268</b>	<b>\$67,911</b>	<b>\$58,803</b>	<b>\$50,448</b>	<b>\$45,459</b>	<b>\$36,161</b>	<b>\$26,719</b>	<b>\$19,663</b>	<b>\$19,663</b>

Notes:

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

(2) Amounts are net of cost of living adjustment (COLA) withholding for certain retirees that received overpayments of pension benefits. In a lawsuit filed by FPDR members, a Multnomah County Circuit Court judge ruled that withholding of COLAs as a method of recovering overpayments is in violation of the State of Oregon wage claim statute. See "LITIGATION" herein.

Source: City of Portland.

**Table 2**  
**CITY OF PORTLAND, OREGON**  
**Fire and Police Disability and Retirement Fund**  
**Projected Cash Flow with Tax Anticipation Notes**  
**Fiscal Year Ending June 30, 2013**  
**(000s)**

Period Ending Date	31-Jul	31-Aug	30-Sep	31-Oct	01 Nov – 07 Nov	08 Nov – 30 Nov	31-Dec	31-Jan	28-Feb	31-Mar	30-Apr	31-May	30-Jun	Total
<b>BEGINNING BALANCE</b>	\$20,763	\$12,884	\$25,750	\$17,411	\$8,304	\$0	\$63,299	\$88,949	\$79,845	\$71,494	\$66,514	\$57,225	\$47,791	\$20,763
<b>REVENUES</b>														
Property Taxes	767	644	516	478	-	63,969	34,476	1,267	769	4,099	553	530	4,004	112,072
Interest Earned	26	22	16	6	-	5	8	4	7	37	35	28	28	221
Miscellaneous	5	5	5	5	-	5	5	5	5	5	5	5	358	410
Tax Anticipation Notes (1)	-	21,073	-	-	-	-	-	-	-	-	-	-	-	21,073
<b>Total Resources</b>	<b>\$21,561</b>	<b>\$34,627</b>	<b>\$26,287</b>	<b>\$17,900</b>	<b>\$8,304</b>	<b>\$63,980</b>	<b>\$97,788</b>	<b>\$90,225</b>	<b>\$80,626</b>	<b>\$75,634</b>	<b>\$67,107</b>	<b>\$57,787</b>	<b>\$52,180</b>	<b>\$154,540</b>
<b>EXPENDITURES</b>														
Base Pensions (2)	\$7,866	\$8,075	\$8,089	\$8,086	\$8,087	\$0	\$8,082	\$8,070	\$8,379	\$8,367	\$8,365	\$8,354	\$8,343	\$98,163
Supplemental Pensions	34	34	34	34	-	34	34	34	34	34	34	34	34	407
Short-term Disability	93	93	93	93	47	93	93	93	93	93	93	140	93	1,211
Long-Term Disability	233	235	235	231	-	231	234	230	230	230	230	230	230	2,779
Voc Rehab/Med Reimb./Funeral	6	5	5	6	0	5	5	6	5	5	6	5	5	65
Medical	193	154	154	193	39	116	154	193	154	154	193	154	154	2,002
Limited Duty Subsidy	-	-	-	25	-	-	-	83	-	-	25	58	-	190
OPSRP Reimbursements	-	-	-	649	-	-	-	1,375	-	-	676	720	2,292	5,712
Administrative Expenses	228	236	229	279	92	202	236	297	236	237	262	302	262	3,098
Capital Outlay	25	-	37	-	40	-	-	-	-	-	-	-	23	124
T ANs Repayment/Issue Costs (1)	-	44	-	-	-	-	-	-	-	-	-	-	21,109	21,153
<b>Total Expenditures</b>	<b>\$8,677</b>	<b>\$8,877</b>	<b>\$8,876</b>	<b>\$9,596</b>	<b>\$8,304</b>	<b>\$680</b>	<b>\$8,839</b>	<b>\$10,380</b>	<b>\$9,132</b>	<b>\$9,120</b>	<b>\$9,883</b>	<b>\$9,996</b>	<b>\$32,545</b>	<b>\$134,904</b>
<b>ENDING BALANCE</b>	<b>\$12,884</b>	<b>\$25,750</b>	<b>\$17,411</b>	<b>\$8,304</b>	<b>\$0</b>	<b>\$63,299</b>	<b>\$88,949</b>	<b>\$79,845</b>	<b>\$71,494</b>	<b>\$66,514</b>	<b>\$57,225</b>	<b>\$47,791</b>	<b>\$19,636</b>	<b>\$19,636</b>

Notes:

- (1) Preliminary, subject to change. Assumes premium couponing.
- (3) Amounts are net of cost of living adjustment (COLA) withholding for certain retirees that received overpayments of pension benefits. In a lawsuit filed by FPDR members, a Multnomah County Circuit Court judge ruled that withholding of COLAs as a method of recovering overpayments is in violation of the State of Oregon wage claim statute. See "LITIGATION" herein.

Source: City of Portland.

## **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.

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. Voters also approved a local option levy for the Oregon Historical Society at a rate of \$0.0500 per \$1,000 of Assessed Value. These local option levies began in FY 2011-12. A Multnomah County local option levy for libraries was approved in May 2012. This local option levy, which takes effect beginning in FY 2012-13, continues the present local option levy at a rate of \$0.8900 per \$1,000 of Assessed Value for the next five years.

### **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 assets having a useful life of more than one year, but only if the weighted average maturity 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:

- Non-Profit Owners of Low Income Housing Tax Exemption: 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.
- Rental Rehabilitation Program: 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.
- Owner-Occupied Rehabilitation Program: 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.
- Transit Oriented Development Program: 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.
- Single Family New Construction: 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.

## TRENDS IN PROPERTY VALUATION AND TAXATION

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

**Table 3**  
**CITY OF PORTLAND, OREGON**  
**Historical Trends in Assessed and Market Values (1)**  
**(000s)**

<b>Assessed Value</b>					
<b>Fiscal Year</b>	<b>Inside Multnomah County</b>	<b>Outside Multnomah County</b>	<b>Urban Renewal Incremental Value</b>	<b>Total Assessed Value</b>	<b>Percent Change</b>
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%

<b>Market Value (Measure 5) (2)</b>				
<b>Fiscal Year</b>	<b>Inside Multnomah County</b>	<b>Outside Multnomah County</b>	<b>Total Market Value</b>	<b>Percent Change</b>
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%

- (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 Division of Assessment, Recording and Taxation; City of Portland.

**Table 4**  
**CITY OF PORTLAND, OREGON**  
**Consolidated Tax Rate: Fiscal Year 2011-12 Levy Code 201 (1)**

<b><u>Taxing District</u></b>	<b><u>Permanent Tax Rate Per \$1000 A.V.</u></b>	<b><u>Local Option And Other Tax Rates (2) Per \$1000 A.V.</u></b>	<b><u>General Obligation Debt Tax Rate Per \$1000 A.V.</u></b>	<b><u>Total Tax Rate Per \$1000 A.V.</u></b>
<b>CITY OF PORTLAND</b>	\$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, urban renewal special levies, the Multnomah County local option library levy and the Portland Public Schools local option levy.

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

**Table 5**  
**CITY OF PORTLAND, OREGON**  
**Tax Collection Record for the Last Ten Years (1)**

<b>Fiscal Year</b>	<b>Total Levy (000) (2)</b>	<b>Collected Yr. of Levy (3)</b>	<b>Collected as of 6/30/2012 (3)</b>
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%	99.98%
2007-08	394,491	97.07%	99.94%
2008-09	397,822	96.43%	99.69%
2009-10	436,332	96.85%	98.91%
2010-11	445,321	97.22%	98.38%
2011-12	443,510 (4)	96.89%	96.89%

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 2011-12 tax levy represented about 2.5% of that year's levy.
- (4) Total levy for FY 2011-12 was lower than prior year due largely to higher Measure 5 compression. See "PROPERTY TAX AND VALUATION INFORMATION—SECTION 11B" herein.

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

**Table 6**  
**CITY OF PORTLAND, OREGON**  
**Assessed and Market Value of City Property in Multnomah County**  
**by Property Type (FY 2011-12)**

<b>Property Type</b>	<b>Assessed Value</b>	<b>Percent of Total</b>	<b>Market Value (Measure 5)</b>	<b>AV/RMV Ratio</b>
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: Multnomah County Division of Assessment, Recording and Taxation.

**Table 7**  
**CITY OF PORTLAND, OREGON**  
**Principal Property Taxpayer Accounts**

<b>Taxpayer Account</b>	<b>Type of Business</b>	<b>FY 2011-12 Assessed Value</b>	<b>Percent of Total Assessed Value</b>
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%

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

## **FINANCIAL AND OPERATING INFORMATION**

### **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 accrual basis of accounting is used for all enterprise funds. The City's accounting practices conform to generally accepted accounting principles as interpreted by the Governmental Accounting Standards Board (the "GASB").

#### **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 performed auditing services for FY 2002-03 through FY 2010-11.

#### **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.

Tables on the following pages are excerpted from the audited financial statements of the Fire and Police Disability and Retirement Fund and the Fire and Police Disability and Retirement Reserve Fund for the Fiscal Years ending June 30, 2007, through June 30, 2011. A consent of the independent auditor was not requested. The auditor was not requested to perform and has not performed any service in connection with the Notes and is therefore not associated with the offering of the Notes.

**Table 8**  
**CITY OF PORTLAND, OREGON**  
**Fire and Police Disability and Retirement Pension Trust Funds (1)**  
**Statement of Changes in Fiduciary Net Assets**  
**Generally Accepted Accounting Principles Basis**  
**for Fiscal Year Ended June 30**

	2007	2008	2009	2010	2011
<b>ADDITIONS</b>					
Contributions:					
Employer contributions	\$81,854,993	\$90,177,146	\$104,414,913	\$108,147,499	\$110,605,734
Pension recovery (2)	26,587	14,799	19,386	12,421	2,742,419
Other	23,620	59,932	292,763	56,146	66,519
Total contributions	81,905,200	90,251,877	104,727,062	108,216,066	113,414,672
Investment earnings	1,679,805	1,621,757	1,224,470	381,516	440,731
Total additions	83,585,005	91,873,634	105,951,532	108,597,582	113,855,403
<b>DEDUCTIONS</b>					
Benefits and refunds paid to plan members and beneficiaries	85,860,693	92,321,147	96,237,377	100,443,531	101,379,926
Administrative expenses	3,082,524	4,033,770	3,480,184	3,184,652	3,358,573
Refunds	23,857	26,329	40,187	17,207	18,861
Total deductions	88,967,074	96,381,246	99,757,748	103,645,390	104,757,360
Change in net assets	(5,382,069)	(4,507,612)	6,193,784	4,952,192	9,098,043
Net assets – beginning (3)	15,266,971	9,884,902	5,377,290	11,631,258	16,583,450
Net assets – ending	\$9,884,902	\$5,377,290	\$11,571,074	\$16,583,450	\$25,681,493

Notes:

- (1) Includes Fire and Police Disability and Retirement Reserve Fund.
- (2) Prior to 2011, this line item was entitled "Plan member." For the fiscal year ended June 30, 2011, this line represents recovery of pension overpayments made between February 1997 and December 2008 due to an error in calculating additional pension benefits mandated by the Oregon Revised Statutes to fully or partially offset state income taxes. The overpayments totaled \$2.9 million to 984 individuals.
- (3) Beginning Net Assets in 2010 are presented in accordance with the Statement of Governmental Accounting Standards No. 51: Accounting and Financial Reporting for Intangible Assets. FY 2008-09 capital assets were increased by \$60,184.

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



**Table 9**  
**CITY OF PORTLAND, OREGON**  
**Fire and Police Disability and Retirement Funds (1)**  
**Statement of Fiduciary Net Assets**  
**As of June 30**

	2007	2008	2009	2010	2011
<b>ASSETS</b>					
Current assets (unrestricted)					
Cash and investments	\$12,437,333	\$9,022,036	\$12,700,086	\$18,209,480	\$24,833,353
Property tax receivable	4,362,811	4,836,049	6,569,936	6,782,857	6,555,141
Interest receivable	344,444	227,143	432,345	185,260	250,754
Equipment and other fixed assets	3,535	3,535	0	0	0
Net accounts receivable	0	0	157,454	49,213	27,342
Pension overpayment recovery receivable (2)	0	0	0	0	2,733,381
Prepaid expenses	0	0	368,037	350,647	322,911
Capital assets	0	0	0	40,554	33,911
Other assets	393,043	375,510	0	0	0
Total assets	17,541,166	14,464,273	20,227,858	25,618,011	34,756,122
<b>LIABILITIES</b>					
Benefits payable	7,022,664	8,157,759	7,846,025	8,099,222	8,022,883
Compensated absences	0	0	229,752	349,557	445,927
Other liabilities -- current	0	359,429	0	0	0
Salaries and withholding taxes	70,365	0	0	0	0
Bonds payable	521,509	513,195	502,722	489,863	474,521
Accrued interest payable	41,726	51,842	62,768	74,613	102,146
Other post-employment benefits	0	4,758	15,517	21,306	29,152
Total liabilities	7,656,264	9,086,983	8,656,784	9,034,561	9,074,629
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	0	0	0	40,554	33,240
Held in trust for pension benefits	9,884,902	5,377,290	11,571,074	16,542,896	25,648,253
Total net assets	\$9,884,902	\$5,377,290	\$11,571,074	\$16,583,450	\$25,681,493

Notes:

- (1) Includes Fire and Police Disability and Retirement Reserve Fund.  
(2) For the fiscal year ended June 30, 2011, this line represents recovery of pension overpayments made between February 1997 and December 2008 due to an error in calculating additional pension benefits mandated by the Oregon Revised Statutes to fully or partially offset state income taxes. The overpayments totaled \$2.9 million to 984 individuals.

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

## 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 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 until November 11, 2012. After that date, the limits of excess liability policy will be \$10 million per claim above the \$1 million self-insured 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 \$600,000 for causes of action arising on or after July 1, 2012, and before July 1, 2013. 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 \$1,266,700 for causes of action arising on or after July 1, 2012, and before July 1, 2013, 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, 2012, and before July 1, 2013, are as follows: (a) \$104,300 for any single claimant and (b) \$521,400 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 Programs. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund 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 unfunded accrued liability (“UAL”) is the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

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 10**  
**CITY OF PORTLAND, OREGON**  
**Valuation Results for 2009 and 2010**  
**(as of December 31)**

	<b>2009</b>	<b>2010</b>
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)	<u>\$182,019,126</u>	<u>\$172,726,579</u>

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 the Retiree Health Insurance Premium Account ("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 11**  
**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 Programs employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay 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 10 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 FPDR Fund. Most of the fire and police personnel are covered under the Fire and Police Disability, Retirement and Death Plan (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. 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 mills 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.

## **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 is underway 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.

## **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 June 30, 2012.

### **Unlimited Tax General Obligation Bonds**

The City has \$70.74 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.* The City had \$79.11 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 \$96.9 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 \$18.14 million of Limited Tax Housing Revenue Bonds. This amount includes \$10.7 million issued for the Headwaters Apartment Project and \$7.5 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 \$1,450,799.

*Contingent Loan Agreements.* The City has made a limited, subject-to-appropriation, pledge of its General Fund to restore reserve fund balances on six conduit housing revenue bond issues. As of June 30, 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 \$26.2 million remains outstanding.

### Self-Supporting General Fund Obligations

*Limited Tax Pension Obligation Revenue Bonds.* Of the total outstanding Limited Tax Pension Obligation Revenue Bonds described above, approximately \$164.2 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. The City has \$80.1 million of outstanding limited tax revenue bonds for the Oregon Convention Center Completion Project, \$23.25 million of outstanding bonds for the Civic Stadium Project, and \$1.2 million of outstanding bonds for the Portland Center for Performing Arts ("PCPA") Project.

*Limited Tax Revenue Bonds (Central City Streetcar Project).* The City has \$17.815 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 \$9.25 million of these bonds outstanding.

*Limited Tax Revenue Bonds (JELD-WEN Field Project).* On April 24, 2012, the City issued limited tax revenue bonds to refinance improvements for major league soccer at JELD-WEN Field (formerly known as PGE Park). While secured by the City's General Fund, the City expects to pay the debt service with revenues from the its Spectator Facilities Fund. The City has \$12.0 million of these bonds outstanding.



*Limited Tax Improvement Bonds.* The City has \$55.94 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.* The City currently has \$14.49 million of Arena Limited Tax Revenue Bonds outstanding. These bonds are ultimately secured by the City's General Fund. However, the City expects to pay the debt service on these bonds from revenues received from the Oregon Arena Project.

*Urban Renewal and Other Self-Supporting Lines of Credit.* The City has established lines of credit for various programs that are secured in part by the City's full faith and credit. Lines of credit have been established for 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 June 30, 2012, was \$69.0 million. A line of credit secured by the City's full faith and credit has also been established to fund projects in local improvement districts. The balance on this line of credit currently totals \$12.4 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.

**Table 12**  
**CITY OF PORTLAND, OREGON**  
**Debt Statement (1)**  
**As of June 30, 2012**

<b>Type of Obligation</b>	<b>Amount Outstanding</b>
<b>UNLIMITED TAX GENERAL OBLIGATION BONDS</b>	
<b>Tax Supported</b>	
General Obligation Parks Bonds	\$12,440,000
General Obligation Public Safety Bonds	24,465,000
General Obligation Emergency Facilities Bonds	33,835,000
<b>Total Tax Supported G.O. Bonds</b>	<u>\$70,740,000</u>
<b>BONDS PAID AND/OR SECURED BY THE GENERAL FUND</b>	
<b>Non Self-Supporting</b>	
Limited Tax Revenue Bonds	\$79,110,000
Limited Tax Pension Obligation Revenue Bonds (General Fund share)	96,933,834
Limited Tax Housing Revenue Bonds	18,140,000
Park Maintenance Facility Line of Credit	\$1,450,799
<b>Total Bonds Secured and Paid from the General Fund</b>	<u>\$195,634,633</u>
<b>Self-Supporting</b>	
Limited Tax Pension Obligation Revenue Bonds (Non-General Fund share)	\$164,169,512
Limited Tax Revenue Bonds (Streetcar)	17,815,000
Limited Tax Revenue Bonds (Convention Center)	80,123,934
Limited Tax Revenue Bonds (PCPA)	1,200,000
Limited Tax Revenue Bonds (Civic Stadium)	23,250,000
Limited Tax Revenue Bonds (S. Waterfront)	2,069,528
Limited Tax Revenue Bonds (Arena)	14,490,000
Limited Tax Revenue Bonds (Transit Mall)	9,250,000
Limited Tax Revenue Bonds (JELD-WEN Field)	12,000,000
Limited Tax Improvement Bonds	55,940,000
State Loans (Brookside)	283,321
Urban Renewal Lines of Credit	68,951,265
Local Improvement Districts Line of Credit	12,414,803
<b>Total Self-Supporting Bonds Secured by the General Fund</b>	<u>\$461,957,363</u>
<b>REVENUE BONDS</b>	
First Lien Sewer Revenue Bonds	\$885,535,000
Second Lien Sewer Revenue Bonds	680,250,000
Sewer SRF Loans	20,250,333
First Lien Water Revenue Bonds	320,475,000
Second Lien Water Revenue Bonds	60,585,000
Parks SDC Revenue Bonds	959,100
Hydroelectric Revenue Bonds	11,050,000
Urban Renewal Bonds	508,130,000
Gas Tax Revenue Bonds	6,372,200
Transportation Line of Credit	18,515,000
<b>Total Revenue Bonds</b>	<u>\$2,512,121,633</u>
<b>TOTAL - ALL OUTSTANDING DEBT</b>	<u><u>\$3,240,453,629</u></u>

Notes:

(1) Excludes contingent loan agreements.

Source: City of Portland.

## Revenue Bonds

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

## Urban Renewal Bonds

A total of \$508.13 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 were 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 13**  
**CITY OF PORTLAND, OREGON**  
**Future Debt Issues**

<b>Purpose</b>	<b>Estimated Amount</b>	<b>Planned Issue Date</b>	<b>Type of Issue</b>
Portland Milwaukie Light Rail	\$45 million	September 2012	Limited Tax Revenue Bonds
Sewer System Capital Improvements	\$200 million	October 2012	Second Lien Sewer System Revenue Bonds

Source: City of Portland.

## City General Obligation Debt

Tables 14-16 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 14**  
**CITY OF PORTLAND, OREGON**  
**Debt Ratios**  
**As of June 30, 2012**

	<b>Amount</b>	<b>Per Capita</b>	<b>Percent of Market Value</b>	<b>Percent of Assessed Value</b>
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)	\$728,331,996	\$1,243	0.90%	1.42%
Net Direct Debt (4)	\$266,374,633	\$455	0.33%	0.52%
Net Overlapping Debt (as of 6/30/2012) (5)	\$922,309,297	\$1,574	1.14%	1.80%
Net Direct and Overlapping Debt	\$1,188,683,930	\$2,029	1.46%	2.32%
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 12 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 entitled "Overlapping Debt" below for information on overlapping debt.
- (6) Debt service amount includes all non self-supporting bonds paid and/or secured by the General Fund plus the General Fund share of pension obligation bonds.

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

**Table 15**  
**CITY OF PORTLAND, OREGON**  
**Overlapping Debt**  
**As of June 30, 2012**

TAXING DISTRICT	Real Market Value	Percent Overlapping	Overlapping Debt	
			Gross Property Tax Backed (1)	Net Property Tax Backed (2)
Multnomah Cty SD 1J (Portland)	\$71,565,796,882	97.60%	\$449,394,534	\$449,394,534
Metro	188,213,817,015	43.52%	140,513,024	119,020,672
Portland Community College	151,131,432,801	46.46%	168,646,968	87,416,379
Multnomah County	96,115,185,157	84.92%	224,329,488	75,578,088
Multnomah Cty SD 3 (Parkrose)	4,657,458,024	98.46%	61,515,072	61,515,072
Multnomah Cty SD 40 (David Douglas)	4,155,074,974	100.00%	60,360,000	60,360,000
Multnomah Cty SD 7 (Reynolds)	6,461,332,922	22.56%	32,116,501	32,116,501
Multnomah Cty SD 28J (Centennial)	2,632,777,596	53.93%	17,762,310	17,762,310
Mt Hood Community College	28,378,871,776	40.99%	28,272,221	9,153,692
Columbia Cty SD 1J (Scappoose)	1,705,864,901	13.89%	4,475,297	4,475,297
Clackamas Cty SD 12 (North Clackamas)	12,476,292,846	0.53%	1,861,769	1,861,769
Washington Cty SD 48J (Beaverton)	30,166,591,572	0.30%	1,521,021	1,521,021
Multnomah Cty SD 51J (Riverdale)	721,576,844	5.25%	1,455,762	1,455,762
Clackamas County	46,272,270,083	0.24%	240,621	177,900
Multnomah Cty Drainage District 1	\$194,734,784	100.00%	3,150,000	125,000
Washington Cty SD 23J (Tigard-Tualatin)	12,169,399,883	0.09%	123,714	123,714
Tri-Met	187,637,038,973	43.65%	104,769	104,769
Clackamas Community College	33,484,751,034	0.20%	155,279	58,936
Washington County	63,616,446,137	0.28%	314,648	39,284
Clackamas Cty SD 7J (Lake Oswego)	8,387,014,112	0.02%	27,122	27,122
Tualatin Hills Park & Rec District	25,378,840,802	0.02%	21,488	21,475
Clackamas Cty ESD	44,081,280,604	0.15%	39,148	0
Multnomah ESD	97,184,919,419	83.86%	29,138,512	0
Northwest Regional ESD	82,595,259,515	0.41%	24,026	0
Port Of Portland	206,003,917,447	39.76%	27,556,815	0
Rockwood Water PUD	4,081,340,033	27.54%	1,755,879	0
			<u>\$1,254,875,988</u>	<u>\$922,309,297</u>

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 16**  
**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	\$6,114,543	\$3,368,925	\$16,188,905	\$12,898,533	\$38,576,429
2013	16,581,156	9,943,772	26,524,928	4,049,197	3,484,500	16,841,016	13,736,408	38,123,556
2014	15,534,863	10,338,770	25,873,633	3,990,173	3,601,500	17,509,993	13,981,139	39,088,064
2015	15,538,293	10,750,246	26,288,539	3,788,251	3,720,750	18,206,880	14,185,855	39,903,167
2016	15,558,568	11,184,169	26,742,737	2,370,541	3,846,500	18,941,782	14,739,408	39,911,422
2017	11,920,667	11,627,391	23,548,059	10,981,654	1,947,750	19,692,434	16,753,288	49,385,755
2018	7,404,601	12,095,163	19,499,764	1,935,904	-	20,484,663	13,030,396	35,461,591
2019	4,993,256	12,573,783	17,567,040	1,935,904	-	21,295,267	13,356,898	36,598,697
2020	4,994,376	13,081,663	18,076,040	6,635,904	-	22,155,425	13,699,972	42,501,929
2021	4,524,228	13,604,648	18,128,876	1,794,904	-	23,041,165	14,040,864	38,887,561
2022	4,525,429	14,150,222	18,675,651	3,239,904	-	23,965,162	14,002,988	41,133,682
2023	2,904,658	14,716,231	17,620,889	8,924,444	-	24,923,769	13,745,438	47,590,339
2024	2,906,461	15,304,658	18,211,119	1,442,549	-	25,920,342	14,218,438	41,578,017
2025	2,908,095	15,917,215	18,825,310	1,442,549	-	26,957,785	12,346,200	40,743,222
2026	2,143,764	16,553,904	18,697,668	1,442,549	-	28,036,096	12,351,825	41,827,159
2027	1,671,770	17,214,723	18,886,493	21,122,549	-	29,155,277	12,344,500	62,619,014
2028	1,670,605	17,905,243	19,575,848	458,549	-	30,324,757	9,086,000	39,865,995
2029	775,795	18,619,893	19,395,688	458,549	-	31,535,107	9,184,000	41,174,344
2030	778,225	-	778,225	10,408,549	-	-	9,187,500	19,592,738
2031	774,170	-	774,170	48,111	-	-	-	44,800
2032	773,865	-	773,865	1,233,111	-	-	-	1,164,800
2033	767,075	-	767,075	-	-	-	-	-
2034	769,035	-	769,035	-	-	-	-	-
2035	724,260	-	724,260	-	-	-	-	-
Total	\$136,319,554	\$245,140,429	\$381,459,983	\$93,818,981	\$19,969,925	\$415,175,825	\$246,889,645	\$775,772,281

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"), Civic Stadium (2001), and JELD-WEN Field (2012). The Central City Streetcar bonds are expected to be paid from parking facility and meter revenues. Bonds issued for Convention Center expansion, PCPA, and Civic Stadium will be repaid in whole or in part from transient lodging tax and vehicle rental tax surcharges imposed by Multnomah County. Bonds issued for Portland Mall Revitalization Project expected to be repaid with meter revenues. Bonds issued for JELD-WEN Field are expected to be paid from Spectator Facilities Fund revenues. 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.

Source: City of Portland.

## **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 17**  
**CITY OF PORTLAND, OREGON**  
**Population Estimate for the Last Ten Years**

<b>As of July 1</b>	<b>State of Oregon</b>	<b>City of Portland</b>	<b>MSA <sup>(1)</sup></b>	<b>Multnomah County</b>	<b>Washington County</b>	<b>Clackamas County</b>
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	2,230,578	736,785	531,070	376,780
2011	3,857,625	585,845	2,246,083	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:

	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>
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 except for 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 18**  
**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	Oregon	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	37,407	40,947
2009	87,894	39,830	35,467	38,846
2010	90,654	40,590	36,317	39,937
2011	Not available	Not available	37,909	41,663
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 July 2012.

## LABOR FORCE AND UNEMPLOYMENT

Table 19 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 May 2012, the seasonally-adjusted unemployment rate for the MSA was 8.0 percent (7.7 percent not seasonally-adjusted) with a resident civilian labor force of 1,201,004. Table 20 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 19**  
**CITY OF PORTLAND, OREGON**  
**MSA Labor Force and Unemployment Rates<sup>(1)</sup>**

<b>Year</b>	<b>Resident Civilian Labor Force</b>	<b>Unemployment</b>		<b>Total Employment</b>
		<b>Number</b>	<b>Percent of Labor Force</b>	
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 20**  
**CITY OF PORTLAND, OREGON**  
**Average Annual Unemployment**  
**MSA, Oregon, and the United States**  
**(Not Seasonally Adjusted)**

<b>Year</b>	<b>MSA</b>	<b>State of Oregon</b>	<b>USA</b>
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 21**  
**CITY OF PORTLAND, OREGON**  
**Portland-Vancouver-Beaverton, Oregon MSA**  
**Non-Farm Wage and Salary Employment <sup>(1)</sup>(000)**

<b>Industry</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Total nonfarm employment	<b>1,034,900</b>	<b>1,034,300</b>	<b>973,800</b>	<b>965,500</b>	<b>975,900</b>
Total private	<b>892,700</b>	<b>887,300</b>	<b>825,700</b>	<b>817,700</b>	<b>830,700</b>
Manufacturing	<b>126,100</b>	<b>123,200</b>	<b>109,100</b>	<b>106,700</b>	<b>108,300</b>
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	<b>766,600</b>	<b>764,200</b>	<b>716,900</b>	<b>711,100</b>	<b>722,600</b>
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	<b>142,300</b>	<b>147,000</b>	<b>148,100</b>	<b>147,800</b>	<b>145,200</b>

Notes:

(1) Totals may not sum due to rounding.

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

**Table 22**  
**CITY OF PORTLAND, OREGON**  
**Major Employers in the MSA**

<b>Employer</b>	<b>Product or Service</b>	<b>Estimated Employment</b>
<b>Private Employers</b>		
Intel Corporation	Computer and electronic products	16,250
Providence Health System	Health care & health insurance	14,389
Fred Meyer Stores	Grocery & retail variety chain	10,389
Legacy Health System	Health care	9,662
Kaiser Foundation of the Northwest	Health care	9,195
NIKE Inc.	Sports shoes and apparel	7,000
Wells Fargo	Bank	4,578
U.S. Bank	Bank & holding company	4,007
Daimler Trucks North America	Heavy duty trucks	3,900
Southwest Washington Medical Center	Health care	3,309
Xerox Corp.	Document systems	3,000
The Standard	Insurance	2,352
Portland General Electric	Utilities	2,100
<b>Public Employers</b>		
U.S. Federal Government	Federal government	13,900
Oregon Health and Science University	Health care & education	13,733
City of Portland	Government	8,951
State of Oregon	State government	7,559
Portland School District	Education	6,544
Evergreen School District	Education	6,282
Multnomah County	Government	4,500
Portland State University	Education	4,224
Beaverton School District	Education	4,073
Portland Community College	Education	3,205
Vancouver School District	Education	3,129
TriMet	Mass transit	2,476

Source: Portland Business Journal, May 18, 2012.

## 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 160 million square feet of industrial and business park space. On the eastside, the Columbia Corridor is the largest industrial area in Oregon, containing approximately 22,600 acres or 28 square miles along an 18-mile stretch of land that runs along the southern shore of the Columbia River. The Columbia Corridor includes the Rivergate Industrial District, marine terminals, and Portland International Airport (“PDX”). The Rivergate Industrial Park is a 2,800-acre area owned by The Port of Portland (the “Port”) in North Portland. In addition to Rivergate’s access to the Columbia River and PDX, the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives.

Just west of the City, the Sunset Corridor has emerged as the center for Oregon’s high technology industry, including Intel’s approximately 16,000-employee campuses. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. Another large submarket for industrial and flex space is the Interstate 5 (“I-5”) Corridor, which extends from S.W. Portland to the City of Wilsonville along I-5.

Portland’s industrial sector is continuing its recovery, with a gradual downward trend in overall vacancy according to Cushman & Wakefield in their publication *Marketbeat—Industrial Snapshot, Portland, OR, Q1 2012*. Cushman & Wakefield report that the overall vacancy rate in the first quarter of 2012 was 7.8 percent, down 0.2 percentage points from the first quarter 2011 rate of 8.0 percent. Cushman & Wakefield note that rental rates have stabilized in almost all submarkets and product types, with overall net absorption of approximately 1.7 million square feet in the first quarter of 2012. A total of 581,477 square feet of new construction is reported to be underway.

### Office

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

The office market are showing signs of increased activity, as reported in *Marketbeat—Office Snapshot, Portland, OR, Q1 2012* prepared by Cushman & Wakefield. The first quarter overall vacancy rate for the Portland region was 14.5 percent, down slightly from the first quarter 2011 vacancy rate of 14.8 percent. The first quarter 2012 overall vacancy rate in the downtown central business district has remained steady at a 9.7 percent rate since third quarter 2011. Overall absorption in the central business district totaled 226,195 square feet, ahead of overall absorption of 174,899 in the first quarter of 2011. The suburban market was weaker, with a first quarter 2012 overall vacancy rate of 19.2 percent. Class A office space in the downtown continues to fare better than the rest of the market, with asking rents averaging \$25.56 per square foot compared to \$22.64 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 June 2012 was \$225,500, up 2.9 percent from the June 2011 year-to-date price of \$219,100, according to the Realtors Metropolitan Area Multiple Listing Service (“RMLS”). Through June 2012, homes in the Portland metropolitan area were on the market an average of 124 days during the year. According to RMLS, through June 2012, the Southeast, West Portland, and Northeast regions were the most active residential real estate areas, with 1,362, 1,174, and 1,087 closed sales, respectively. Portland metropolitan area closed sales year-to-date were up 15.1 percent from the same period in 2011.

The table below compares the median home sale price for the first quarter of 2011 and 2012 in the Portland metropolitan region and with the nation.

**Table 23**  
**CITY OF PORTLAND, OREGON**  
**Median Home Sale Price**  
**(U.S. and Portland Metropolitan Area)**

<b>Region</b>	<b>1st Quarter 2011</b>	<b>1st Quarter 2012</b>	<b>Percent Change</b>
U.S.	\$158,700	\$158,100	-0.4%
Portland Metro. Area	213,400	208,600	-2.2%

Source: National Association of Realtors and RMLS.

The market for condominiums, while improving nationwide, continues to deteriorate 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 24**  
**CITY OF PORTLAND, OREGON**  
**Median Condo/Coop Sale Price**  
**(U.S. and Portland Metropolitan Area)**

<b>Region</b>	<b>1st Quarter 2011</b>	<b>1st Quarter 2012</b>	<b>Percent Change</b>
U.S.	\$152,100	\$157,200	3.4%
Portland Metro. Area	144,200	135,800	-5.8%

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 25**  
**CITY OF PORTLAND, OREGON**  
**New Single-family and Multi-family**  
**Residential Construction Permits**

<b>Year</b>	<b>New Single Family</b>		<b>New Multi-Family</b>	
	<b>No. of Permits</b>	<b>Value</b>	<b>No. of Permits</b>	<b>Value</b>
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
2011	451	101,302,272	44	92,746,314

Source: U.S. Census Bureau as of May 18, 2012.

## **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 2012, the City Council adopted 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. In May 2012, the City Council approved 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 extends from the Portland Harbor to the Pacific Ocean 110 miles downstream. In 2005, the Columbia River Channel Deepening Project was initiated to improve navigation to accommodate the current fleet of international bulk cargo and container ships and to improve the condition of the Columbia River estuary through the completion of other environmental restoration projects. The project deepened the Columbia River by three feet, to 43 feet along a 103-mile stretch of river from the Pacific Ocean to Portland and was completed in November 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 two by-pass routes, Interstate 205 and Interstate 405, within and around the City. The primary east-west highway system is Interstate 84, which begins at Portland and heads east along the Columbia River to Idaho and beyond. The Portland metropolitan area is also served by U.S. highways 26 and 30, Oregon highways 43, 213, 217, 224, 99E, 99W, the Tualatin Valley Highway, the historic Columbia River Highway, nine bridges across the Willamette River and two bridges across the Columbia River.

The Tri-County Metropolitan Transportation District of Oregon (“TriMet”), the regional public transit agency, provides rail and bus service throughout the Portland metropolitan area. During TriMet’s fiscal year, from July 2010 through June 2011, passengers boarded a TriMet bus or train approximately 100 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 Veteran’s 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. 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 18.4 percent of the State's Gross Farm and Ranch Sales based on 2011 estimates from the Oregon State University Extension Economic Information Office. The 2011 Gross Farm and Ranch Sales in Clackamas County was \$332,940,000; Washington County was \$284,778,000; Yamhill County was \$259,013,000; Multnomah County was \$55,103,000; and Columbia County was \$26,469,000 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 was 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 2014.

Seven state-wide initiative measures and two legislative referrals have qualified to appear on the November 2012, general election ballot. One measure seeks to prohibit local governments from imposing real estate transfer taxes. The City does not impose real estate transfer taxes. The other measures deal with subjects such as casinos, gill-net fishing and state income and inheritance taxes. None of the measures appears likely to have a material and adverse effect on the finances of the City.

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 26**  
**CITY OF PORTLAND, OREGON**  
**Statewide Initiative Petitions that Qualified and Passed**  
**2002-2012**

<b><u>Year of General Election</u></b>	<b><u>Number of Initiatives that Qualified</u></b>	<b><u>Number of Initiatives that Passed</u></b>
2002	7	3
2004	6	2
2006	10	3
2008	8	0
2010	4	2
2012	7	not available

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. 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. No initiative or referendum petitions are currently being circulated that would limit the financial powers of the City. The City Council is considering referring a charter amendment to the voters that would change some of the benefits that the FPDR system pays to its members. The changes would not affect the power of the City to impose taxes for the FPDR Fund, or the taxes that the City has imposed for FY 2012-2013 that will be used to pay the Notes.

## **TAX MATTERS**

### **OPINION OF NOTE COUNSEL**

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

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

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

### **CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND COVENANTS**

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

## **CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES**

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

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

### **ORIGINAL ISSUE DISCOUNT**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Notes of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Note Counsel further is of the opinion that, for any Notes having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### **BOND PREMIUM**

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

### **INFORMATION REPORTING AND BACKUP WITHHOLDING**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number

and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

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

## **MISCELLANEOUS**

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

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

## **RATING**

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

## **LEGAL MATTERS**

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

## **LITIGATION**

### **NO LITIGATION CHALLENGING THE NOTES**

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

### **LITIGATION GENERALLY**

Because the City cannot be certain when a threat of litigation is made, the City reports threats of litigation only when the City is engaged in active settlement negotiations in order to pre-empt filing of a lawsuit. Further, the City generally discloses only pending or threatened litigation which the City has determined may have a materially adverse impact on the City’s financial position in relation to the Notes; for the Notes that involves litigation where the damages or performance sought has a reasonable probability of imposing liability of \$10

million or more. Except as described below, no such litigation is currently pending or, to the knowledge of the officers of the City charged with issuing the Notes, threatened.

On December 6, 2011, the City received a complaint in *Anderson et al. v. City of Portland*, Multnomah County Circuit Court case No. 1112-15957. The complaint challenges certain expenditures by the City's Water Bureau and Bureau of Environmental Services and asks for an order requiring the City to reimburse the Water Fund and Sewage Disposal Fund for those expenditures. The complaint does not identify 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.

The City notes that, on July 26, 2012, a circuit court judge ruled that the FPDR cannot recover overpayments that the FPDR Fund made to certain retirees by holding back future cost of living increases. The ruling may prevent the City from recovering all or a portion of those overpayments. The overpayments were made over a period of years in a total amount of approximately \$3 million. If the City is not able to recover the overpayments, the City may be required to increase the FPDR levy in future fiscal years, but the inability to recover the overpayments will not adversely affect planned use of the FPDR levy to pay the Notes.

## **CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT**

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

## **MISCELLANEOUS**

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

## **FORWARD LOOKING STATEMENTS**

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

## **CONTINUING DISCLOSURE**

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix C for the benefit of the Note 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 Notes, does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) between the date of this Official Statement and the date of delivery of the Notes there has been no material change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by this Official Statement.

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

### **CITY OF PORTLAND, OREGON**

By \_\_\_\_\_  
Debt Manager  
Office of Management and Finance





---

## **APPENDIX A**

## **ORDINANCE**

---



# ORDINANCE No. 185372

Authorize a borrowing in an amount sufficient to produce not more than \$25,211,000 in anticipation of the Fire and Police Disability and Retirement Fund levy for fiscal year 2012-2013 (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. The Fire and Police Disability and Retirement Fund of the City of Portland (the “City”) will experience a cumulative cash flow deficit during fiscal year 2012-2013.
2. Oregon Revised Statutes Section 287A.180 authorizes the City to borrow money in anticipation of taxes and other moneys to be received by the City in fiscal year 2012-2013, and to pledge its anticipated taxes and other revenues to secure those borrowings, so long as the borrowings mature within 13 months after they are issued and do not exceed 80 percent of the amount the City has budgeted to receive in that fiscal year.
3. The City will budget to receive approximately \$112.1 million of ad valorem taxes for the Fire and Police Disability and Retirement Fund in fiscal year 2012-2013.
4. Federal law permits the City to finance its deficit in the Fire and Police Disability and Retirement Fund with tax-exempt obligations, and to avoid payment of arbitrage rebate in connection with the borrowings, if the City’s actual cash flow deficit exceeds the amount it borrows.
5. The City adopts this Ordinance to authorize the City to borrow an amount sufficient to produce not more than \$25,211,000 in anticipation of the Fire and Police Disability and Retirement Fund levy for fiscal year 2012-2013.

NOW, THEREFORE, the Council directs:

- a. The City hereby authorizes borrowings in an amount sufficient to produce not more than \$25,211,000 (Twenty-Five Million Two Hundred Eleven Thousand Dollars) to finance its deficit in the Fire and Police Disability and Retirement Fund in anticipation of the receipt of its Fire and Police Disability and Retirement Fund levy for fiscal year 2012-2013, plus additional amounts to pay the costs of the borrowings. The aggregate principal amount of the borrowings required for these purposes is estimated not to exceed \$26,000,000 (Twenty-Six Million Dollars). The borrowings shall mature not later than thirteen months after they are issued, shall be issued under the authority of ORS 287A.180, and may be in the form of one or more notes, lines of credit, or other obligations. In connection with these borrowings, the Debt Manager of the City, City Treasurer, the Chief Financial Officer of the Bureau of Financial Services, the Chief Administrative Officer of the Office of Management and Finance, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this Ordinance (any of whom is referred to in this Ordinance as a “Debt Manager”) may, on behalf of the City and without further action by the Council:
  1. borrow money from one or more commercial banks in the form of notes, lines of credit or other obligations, or sell notes or other obligations in the public securities markets by negotiated sale or competitive bid;
  2. participate in the preparation of, authorize the distribution of, and deem final any disclosure documents that are desirable for the borrowings;
  3. establish the final principal amounts, maturity dates, interest rates, sale prices, redemption terms, payment terms and dates, and other terms of the borrowings within the limitations of this Ordinance;
  4. pledge the City’s full faith and credit, ad valorem taxing power, and any other City taxes and revenues to pay the borrowings;
  5. provide that the borrowings bear interest that is excludable from, or includable in, gross income under the federal internal revenue code;

6. covenant to comply with the requirements of federal law that are necessary for interest on tax-exempt borrowings to be excludable from gross income under the federal internal revenue code;
7. negotiate the terms of, and execute and deliver any legal documents that are desired to carry out the borrowings authorized by this Ordinance, execute and deliver any related certificates or other documents, and take any other action in connection with the borrowings which the Debt Manager finds will be advantageous.

---

**APPENDIX B**  
**LEGAL OPINION**

---



\_\_\_\_\_, 2012

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

Subject: \$\_\_\_\_\_ City of Portland, Oregon, Tax Anticipation Notes, Series 2012

Ladies and Gentlemen:

We have acted as Note Counsel in connection with the issuance by the City of Portland, Oregon (the "City") of its Tax Anticipation Notes, Series 2012 (Fire and Police Disability and Retirement Fund) (the "Notes"), which are dated \_\_\_\_\_, 2012 and are in the aggregate principal amount of \$\_\_\_\_\_. The Notes are authorized by City Ordinance No. 185372 adopted May 30, 2012 (the "Ordinance").

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

We have reviewed the Official Statement for the Notes only to confirm that that the portions of it describing the Notes, the Ordinance, and the authority of the City to issue the Notes conform to those documents and the laws under which the Notes are issued. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any other parts of the official statement or other offering materials which has been or may be supplied to the purchasers of the Notes, and we express no opinion relating thereto.

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

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

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

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

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

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

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

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

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

We note that the City has not designated the Notes as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

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

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

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

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

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

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

Very truly yours,



---

**APPENDIX C**  
**CONTINUING DISCLOSURE CERTIFICATE**

---



## CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**City of Portland, Oregon**  
**Tax Anticipation Notes**  
**Series 2012**  
**(Fire and Police Disability and Retirement Fund)**

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the City of Portland, Oregon (the “City”) in connection with the issuance of the City’s Tax Anticipation Notes, Series 2012 (Fire and Police Disability and Retirement Fund) (the “Securities”).

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the City for the benefit of the owners of the Securities and to assist the underwriter(s) of the Securities in complying with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended, (the “Rule”). This Certificate constitutes the City’s written undertaking for the benefit of the owners of the Securities 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 Securities, including persons holding Securities through nominees or depositories.

“Commission” means the Securities and Exchange Commission.

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

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

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (g) Modifications to the rights of Note holders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;

- (j) Release, substitution or sale of property securing repayment of the Notes, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph (l), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);
- (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

holders of the Notes, and any Dissemination Agent.

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

- (a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person or type of business conducted;
- (b) This Certificate, as amended, would have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment does not materially impair the interest of holders of the Notes, as determined either by parties unaffiliated with the City (such as nationally recognized bond counsel), or by approving vote of holders representing at least sixty percent (60%) of the aggregate outstanding principal amount represented by the Notes, as applicable.

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

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

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

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

Dated as of the \_\_\_\_ day of \_\_\_\_\_, 2012.

**City of Portland, Oregon**

---

B. Jonas Biery, Debt Manager



---

## **APPENDIX D**

### **BOOK-ENTRY SYSTEM**

---





## **BOOK-ENTRY SYSTEM**

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

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://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.



